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December 22, 2009

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Docket Control Center
Arizona Corporation Commission
1200 W Washington Street
Phoenix, AZ 80557-2927

T-02847A-09-0576

Re: Application for *Certificate of Convenience and Necessity* to Provide Intrastate Telecommunications Services

Dear Sir/Madam:

Enclosed for filing are one (1) original and thirteen (13) copies of the above-referenced application submitted by Accipiter Communications Inc., d/b/a Zona Communications.

Any questions you may have regarding this filing may be directed to my attention at 623-455-4500 or via email to jvellucci@teamzona.com. Thank you for your assistance.

Sincerely,

Jenifer Vellucci
Vice President/CFO
Zona Communications

Enclosure

cc: Mr. Jeffery W. Crockett, Snell & Wilmer, L.L.P.

Arizona Corporation Commission
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**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
Telecommunications Services**

Accipiter Communications Inc. d/b/a Zona Communications

Section A

A-1 Please indicate the type of telecommunications services that you want to provide in Arizona.

1. Competitive Resold Long Distance Telecommunications Services (Answer Sections A, B).
 - a. Accipiter Communications Inc. has a wholesale agreement to buy long distance minutes from a third party and resell them to our customers.
2. Competitive Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)

A-2 The name, address, telephone number (including area code), facsimile number, email address and Web address of Applicant:

Accipiter Communications Inc.
2238 W Lone Cactus Dr Ste 100
Phoenix, AZ 85027
(P) 623-455-4500
(F) 623-455-4545
www.zonacommunications.com
psherrill@teamzona.com

A-3 The d/b/a name if the Applicant is doing business under a name different from that listed in A-2.

Zona Communications

A-4 The name, address, telephone number, facsimile number, and E-mail address of the Applicant's Management Contact:

Patrick Sherrill
2238 W Lone Cactus Dr Ste 100
Phoenix, AZ 85027
(P) 623-455-4500
(F) 623-455-4545
psherrill@teamzona.com

**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
Telecommunications Services**

Accipiter Communications Inc. d/b/a Zona Communications

**A-5 The name, address, telephone number, facsimile number and E-mail address of the
Applicant's Attorney and/or Consultant:**

Jeff Crockett
Snell & Wilmer
One Arizona Center
Phoenix, AZ 85004-2202
(P) 602-382-6000
(F) 602-382-6070
jcrockett@swlaw.com

**A-6 The name, address, telephone number, facsimile number and E-mail address of the
Applicant's Complaint Contact Person:**

Jenifer Vellucci
2238 W Lone Cactus Dr Ste 100
Phoenix, AZ 85027
(P) 623-455-4500
(F) 623-455-4545
jvellucci@teamzona.com

A-7 What type of legal entity is the Applicant?

S- Corporation - Foreign

**A-8 Please include "Attachment A"
Attachment "A" must include the following information:**

1. Copy of Certificate of Good Standing
2. List of all owners and Corporate Officers:
 - a. Lewis van Amerogen – Owner/Director/Treasurer – 63%
 - b. David Sharbutt – Owner/Director – 24%
 - c. Phillip Sotel – Owner/Director/Secretary – 13%
 - d. Patrick Sherrill – President/CEO
 - e. Jenifer Vellucci – Vice President/CFO/Assistant Secretary

**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
Telecommunications Services**

Accipiter Communications Inc. d/b/a Zona Communications

A-9 Include your Tariff as "Attachment B"

See Attachment "B" for Tariff

1. Proposed Rates and Charges for each service offered: Page 82 – Page 92
2. Tariff Maximum Rate and Prices to be charged: Page 82 – Page 92
3. Terms and Conditions Applicable to provision of Service: Page 10 – Page 24
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service: Page 24 – Page 28
5. The proposed fee that will be charged for returned checks: Page 82

A-10 Indicate the geographic market to be serviced:

Statewide

A-11 Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Arizona Corporation Commission Docket Number: T-03471A-05-0064 is a currently pending formal complaint docket against Cox Arizona Telecom, LLC. Accipiter Communications Inc. is a party to this docket.

A-12 Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten years.

Neither the applicant nor any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, nor had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, nor has been convicted of any criminal acts within the last ten years.

A-13 Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1-101XXXX access.

Yes

A-14 Is Applicant willing to post a Performance Bond?

- A. For Long distance Resellers, \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.**

Bond is not applicable because Accipiter Communications Inc. will not be collecting deposits for long distance services.

**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
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Accipiter Communications Inc. d/b/a Zona Communications

B. For Local Exchange Resellers, a \$25,000 bond will be recommended.

NA

C. For Facilities-Based Providers of Long distance, a \$100,000 bond will be recommended.

NA

D. For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

Accipiter Communications Inc is requesting a waiver of the bond requirement because the company is an established ILEC that has been operating since 1995 in the state of Arizona.

A-15 If any box in A-14 is marked "No", provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the Applicant's superior financial position limits any risk to Arizona consumers.

Deposit policy: Deposits may be required if an end user has a proven history of late payments or does not have established credit. Page 24

Accipiter Communications Inc. is an established Incumbent Local Exchange Carrier. This application is for an added Competitive Local Exchange Carrier venture proposed for funding by the federal American Reinvestment and Recovery Act stimulus program. More specifically the funding will come from Broadband Initiatives Program (BIP) administered by the Rural Utilities Service and will be 49% grant and 51% loan funding. Accipiter is uniquely qualified to complete the venture proposed in this application. We recognize the following key synergies between our company and the BIP-funding opportunity:

- The target area to be served is between and adjacent to Accipiter's existing ILEC service areas, allowing the company to incrementally expand plant and operations in an efficient manner.
- The expanded network footprint will allow Accipiter access to larger economies of scale which will help Accipiter's ILEC operations lower certain per-subscriber operating costs and provide opportunities for deployment of new revenue generating services.
- Financial results are improved through an expanded revenue base and improved equity balance for a venture that targets deployment of not only telephone but also broadband services in a currently underserved area.

**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
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Accipiter Communications Inc. d/b/a Zona Communications

- A-16 Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the Application is requesting authority to provide service.**

Accipiter Communications Inc. will publish the required notice when notified to do so by the Arizona Corporation Commission.

- A-17 Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in Arizona.**

No

- A-18 List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in Arizona:**

Accipiter Communications Inc. is an established ILEC operating in Arizona since 1995 with over 385 access lines.

- A-19 List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in Arizona.**

See response to question A-18

- A-20 List the names and address of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.**

Accipiter Communications Inc. has no affiliates.

- A-21 Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:**

Decision #64178	Resold Long Distance
Decision #64178	Facilities Based LEC

Section B

- B-1 Indicate if the Applicant has financial statements for the two most recent years.**

Yes, included as Attachment "D"

**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
Telecommunications Services**

Accipiter Communications Inc. d/b/a Zona Communications

B-2 Include "Attachment D"

Attached are 2007 and 2008 Audited Financials for Accipiter Communications Inc. d/b/a Zona Communications.

B-3 Indicated if the Applicant will rely on the financial resources of its Parent Company, if applicable.

Accipiter Communications Inc. is not creating a new entity for this CLEC operation. All financial information, except for past audited financials, is inclusive of the entire company both its ILEC operation and the proposed CLEC venture. Accipiter's existing operations will be used to provide synergies to the new area.

B-4 The Applicant must provide the following information.

- 1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.**

Accipiter Communications Inc. projects estimated revenue of \$125,000 in the first twelve months.

- 2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.**

Accipiter Communications Inc. projects estimated expenses of \$78,000 in the first twelve months.

- 3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.**

Accipiter Communications Inc. projects estimated net book value of assets to be \$2,735,239 at the end of the first twelve months.

**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
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Accipiter Communications Inc. d/b/a Zona Communications

4. If the projected value of all assets is zero, please specifically state this in your response.

N/A

5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

N/A

Section C

- C-1 Indicate if the Applicant has a resale agreement in operation.**

Accipiter Communications Inc. currently has a wholesale agreement with a third party to resell long distance minutes.

Section D

- D-1 Indicate if the Applicant is currently selling facilities-based long distance telecommunications services and/or facilities-based local exchange telecommunication services in Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:**

Yes, Accipiter Communications Inc., Inc has been providing facilities-based local exchange service since 1995 and reselling long distance since 2007 in our ILEC area.

Section E

- E-1 Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59421:**

Yes

- E-2 Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers and emergency service providers to provide this service.**

Yes

**Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
Telecommunications Services**

Accipiter Communications Inc. d/b/a Zona Communications

E-3 **Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-111(A):**

Yes

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate
Telecommunications Services

Accipiter Communications Inc. d/b/a Zona Communications

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of the application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commissions Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I verify that to the best of my knowledge the information provided in the Application and Petition is true and correct.

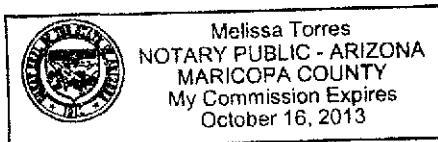
Patrick Sherrill
(Signature of Authorized Representative)

12/22/2009
(Date)

Patrick Sherrill
(Printed Name of Authorized Representative)

President & CEO
(Title)

SUBSCRIBED AND SWORN to before me this 22 day of December, 2009.



Melissa Jones
NOTARY PUBLIC

My Commission Expires October 16, 2013

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****ACCIPITER COMMUNICATIONS INCORPORATED*****

a foreign corporation organized under the laws of Nevada did obtain authority to transact business in the State of Arizona on the 3rd day of February 1995.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation has not had its authority revoked for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed an Application for Withdrawal as of the date of this certificate.

This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 20th Day of May, 2008, A. D.




Executive Director

Order Number: 237028

Accipiter Communications, Inc
d/b/a Zona Communications
2238 W Lone Cactus Dr Ste 100
Phoenix, AZ 85027

Attachment B

Original Sheet No. 1
Cancels Sheet No. N/A

Competitive Exchange and Network Services Tariff - Arizona

Applying to the provision of
Competitive Exchange and Network Services

Accipiter Communications, Inc

In the State of

Arizona

As provided herein.

Decision No. _____

Date Effective _____

Issuing Officer: Jenifer Vellucci Vice President/CFO Accipiter Communications, Inc

Competitive Exchange and Network Services Tariff - Arizona

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Accipiter Communications, Inc
d/b/a Zona Communications
2238 W Lone Cactus Dr Ste 100
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Original Sheet No. 6
Cancels Sheet No. N/A

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Accipiter Communications, Inc
d/b/a Zona Communications
2238 W Lone Cactus Dr Ste 100
Phoenix, AZ 85027

Original Sheet No. 7
Cancels Sheet No. N/A

Competitive Exchange and Network Services Tariff - Arizona

CONCURRING CARRIERS

NO CONCURRING CARRIERS

CONNECTING CARRIERS

NO CONNECTING CARRIERS

OTHER PARTICIPATING CARRIERS

NO OTHER PARTICIPATING CARRIERS

Decision No. _____ Date Effective _____
Issuing Officer: Jenifer Vellucci, Vice President/CFO Accipiter Communications, Inc

Competitive Exchange and Network Services Tariff - Arizona

EXPLANATION OF SYMBOLS

- (AT) - To signify addition to text
- (C) - To signify a correction
- (CP) - To signify change in practice
- (CR) - To signify change in rate
- (CT) - To signify change in text
- (DR) - To signify discounted rate
- (FC) - To signify a change in format lettering or numbering
- (MT) - To signify moved text
- (NR) - To signify a new rate
- (RT) - To signify removals of text

In addition to symbols for changes, each changed provision in this Tariff shall contain a vertical line that clearly shows the exact number of lines being changed.

Competitive Exchange and Network Services Tariff - Arizona

STANDARD RATE SCHEDULE

REFERENCE TO OTHER TARIFFS AND AUSF SURCHARGES

A. REFERENCE TO OTHER TARIFFS

Whenever reference is made in this Tariff to other tariffs of the Telephone Company, the reference is made to the tariffs in force as of the effective date of this Tariff and to amendments thereto and successive issues thereof.

B. ARIZONA UNIVERSAL SERVICE FUND SURCHARGES

The Telephone Company is required to pay surcharges to the Arizona Universal Service Fund (AUSF) calculated in accordance with the provisions of Arizona Administrative Code R14-2-1201 et seq., including all amendments, revisions, or successive issues thereof (collectively, the AUSF Rules). The Telephone Company shall collect from its customers through a surcharge on each customer's bill a pro rata share of the total AUSF surcharges which are payable by the Telephone Company. Such surcharges shall be billed based upon (i) access lines, (ii) interconnecting trunks, (iv) toll revenues, or (iv) a combination of the foregoing three items, as provided in the AUSF Rules. In collecting a pro rata share of the AUSF surcharges from its customers, The Telephone Company may round up any fractional cent to the next whole cent.

Competitive Exchange and Network Services Tariff - Arizona

1. APPLICATION OF TARIFF

- 1.1 This Tariff contains regulations, rates and charges applicable to the provision of Competitive Exchange and Network Services as described herein and provided by the Telephone Company to end users residing within areas in Arizona where the Telephone Company Serves.
- 1.2 The provision of Competitive Exchange and Network Services by the Telephone Company as described in this Tariff does not constitute a joint undertaking with the end user or customer for the furnishing of any Service.
- 1.3 Where equipment, facilities or service arrangements are requested which are not provided for in the applicable tariffs of the Telephone Company, then monthly rates and one-time charges such as non-recurring and/or construction charges will apply based on the circumstances of each case, and shall be established by agreement between the customer and the Telephone Company. These special equipment and service items will be provided whenever, in the judgment of the Telephone Company, there is a valid reason for providing the service requested. In such cases, the Telephone Company reserves the right to require an initial contract period longer than one month at the same location.

2. GENERAL REGULATIONS

2.1 Undertaking of the Telephone Company

2.1.1 Scope

- (A) The Telephone Company shall be responsible only for the installation, operation and maintenance of the Services it provides.
- (B) The Telephone Company will, for maintenance purposes, test its Services only to the extent necessary to detect and/or clear troubles.
- (C) Services are provided 24-hours-a-day, seven-days-a-week, except as set forth in other applicable sections of this Tariff.
- (D) The Telephone Company does not warrant that its facilities and Services meet standards other than those set forth in this Tariff.

Competitive Exchange and Network Services Tariff - Arizona

2.1.2 Limitations

(A) The end user may not assign or transfer the use of Services provided under this Tariff; however, where there is no interruption of use or relocation of Services, an assignment or transfer may be made to:

(1) another end user, whether an individual, partnership, association or corporation, provided the assignee or transferee assumes all outstanding indebtedness for such Services, including the unexpired portion of the applicable minimum service period, if any, and the termination liability applicable to such Services, if any; or

(2) a court-appointed receiver, trustee or other person acting pursuant to law in bankruptcy, receivership, reorganization, insolvency, liquidation or other similar proceedings, provided the assignee or transferee assumes the unexpired portion of the applicable minimum service period, if any, and the termination liability applicable to such Services, if any.

In all cases of assignment or transfer, the written acknowledgment of the Telephone Company is required prior to such assignment or transfer, which acknowledgement shall be made within fifteen (15) days from the receipt of notification. All assignments or transfers without prior notification to the Phone Company shall be void. All regulations and conditions contained in this Tariff shall apply to assignees and transferees.

The assignment or transfer of Services does not relieve or discharge the assignor or transferor from remaining jointly or severally liable with the assignee or transferee for any obligations existing as of the date of a valid assignment or transfer.

(B) The use and restoration of Services shall be provided on first-come first-served basis. The use and restoration of Services shall be in accordance with Part 64, Subpart D, Appendix A, of the Federal Communications Commission's Rules and Regulations.

Competitive Exchange and Network Services Tariff - Arizona

2.1.3 Liability

- (A) The Telephone Company's liability, if any, with respect to any claim or suit by a customer, end user or any other for damages associated with the installation, provision, termination, maintenance, repair or restoration of Service, and subject to the provisions of (B) through (I) following, shall not exceed an amount equal to the proportionate charge for the Service for the period during which the Service was affected.
- (B) The Telephone Company shall not be liable for any act or omission of any other carrier or any customer providing a portion of a Service, nor shall the Telephone Company, for its own act or omission, hold liable any other carrier or customer providing a portion of a Service.
- (C) The Telephone Company is not liable for damages to the end user's premises resulting from the furnishing of a Service, including the installation and removal of equipment and associated wiring, unless the damage is caused by the Telephone Company's negligence.
- (D) The Telephone Company shall be indemnified, defended and held harmless by the customer or end user against any claim, loss or damage arising from the customer's or end user's use of Services offered under this Tariff, involving:
 - (1) Claims for libel, slander, invasion of privacy, or infringement of copy right arising from the customer's or end user's communications;
 - (2) Claims for patent infringement arising from the customer's or end user's acts of combining or using the Services furnished by the Telephone Company in connection with facilities or equipment furnished by the customer or end user; or
 - (3) Any and all other claims arising out of any act or omission of the customer or end user in the course of using Services provided pursuant to this Tariff.
- (E) The Telephone Company does not guarantee or make any warranty with respect to its Services when used in an

Competitive Exchange and Network Services Tariff - Arizona

explosive atmosphere. The Telephone Company shall be indemnified, defended and held harmless by the end user or customer from any and all claims by any person relating to such customer's or end user's use of Services so provided.

- (F) No license under patents (other than the limited license to use) is granted by the Telephone Company or shall be implied or arise by estoppel, with respect to any Service offered under this Tariff.
- (G) The Telephone Company's failure to provide or maintain Services under this Tariff shall be excused by labor difficulties, governmental orders, civil commotions, criminal actions taken against the Telephone Company, acts of terrorism, acts of God and other circumstances beyond the Telephone Company's reasonable control, subject to the Credit Allowance for a Service Interruption as set forth in Section 2.5.4 of this Tariff.
- (H) The customer indemnifies and saves the Telephone Company harmless against claims arising out of the following:
 - (1) Any accident, injury or death occasioned by Telephone Company's equipment or facilities when such accident, injury or death is not due to the negligence of the Telephone Company.
 - (2) Claims for libel, slander, or infringement of copyright arising from the material transmitted or recorded using the Telephone Company's facilities.
- (I) Under no circumstances shall the Telephone Company be liable to a customer or end user for indirect, incidental, consequential, punitive or special damages.

2.1.4 Right to Refuse Service where Uneconomical

Telephone Company shall provide Services as provided in this Tariff where such Services can be provided with commercially reasonable effort. The Telephone Company reserves the right to refuse Service to any customer where Telephone Company determines, in Telephone Company's sole discretion, that such Service is either technically or economically infeasible.

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2.1.5 Installation and Termination of Services

The Services provided under this Tariff (A) will include any entrance cable or drop wiring and wire or intra-building cable to that point where provision is made for termination of the Telephone Company's outside distribution network facilities at a suitable location at the end user-designated premises and (B) will be installed by the Telephone Company to such point of termination

2.1.6 Maintenance of Services

The Services provided under this Tariff shall be maintained by the Telephone Company. The customer or end user may not rearrange, move, disconnect, remove or attempt to repair any facilities provided by the Telephone Company, other than by connection or disconnection to any interface means used, except with the prior written consent of the Telephone Company.

2.1.7 Changes and Substitutions

Except as provided for equipment and Services subject to FCC Part 68 Regulations at 47 C.F.R. Section 68.110(b), the Telephone Company may, where such action is reasonably required in the operation of its business:

- (A) Substitute, change or rearrange any facilities used in providing Service under this Tariff, including but not limited to, (1) substitution of different metallic facilities, (2) substitution of carrier or derived facilities for metallic facilities used to provide other than metallic facilities and (3) substitution of metallic facilities for carrier or derived facilities used to provide other than metallic facilities; and/or
- (B) Change minimum protection criteria, change operating or maintenance characteristics of facilities, or change operations or procedures of the Telephone Company. In case of any such substitution, change or rearrangement, the transmission parameters will be within the range as set forth in approved industry specifications or the Rural Utilities Service (RUS) specifications, if required. The Telephone Company shall not be responsible if any such substitution, change or rearrangement renders any customer or end user furnished services obsolete or requires modification or alteration thereof or otherwise

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affects the use or performance. If such substitution, change or rearrangement materially affects the operating characteristics of the facility, the Telephone Company will provide reasonable notification to the customer or end user in writing. Reasonable time will be allowed for any redesign and implementation required by the change in operating characteristics. The Telephone Company will work cooperatively with the customer or end user to determine reasonable notification procedures.

2.1.8 Refusal and Discontinuance of Service

(A) The Telephone Company may discontinue Service without prior notice until the following conditions, which resulted in the termination, have been corrected. Records of each termination without notice will be maintained for a minimum of one year:

- (1) If a condition immediately dangerous or hazardous to life, physical safety, or property exists.
- (2) Upon order by any court, the Commission, or any other duly authorized public authority; or
- (3) If Service was obtained fraudulently or without the authorization of the Telephone Company, or is being used for, or suspected of being used for, fraudulent purposes or the Telephone Company finds evidence of tampering.

(B) The Telephone Company may terminate, suspend or discontinue Service, and remove any of its equipment from the customer's or end user's premises, after prior written notice for any of the following reasons:

- (1) Customer violation of any of the Telephone Company's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
- (2) Failure of the customer to pay a bill for Service.
- (3) Failure to meet or maintain the Telephone Company's credit and deposit requirements.

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- (4) Failure of the customer to provide the Telephone Company reasonable access to its equipment and property.
 - (5) Customer breach of contract for Service between the Telephone Company and the customer.
 - (6) When necessary for the Telephone Company to comply with an order of any governmental agency having such jurisdiction.
 - (7) Obtaining Service by subterfuge which includes, but is not restricted to, an application for Service at a location in the name of another party by a customer whose account is delinquent and who continues to reside at the premises.
 - (8) Failure to comply with municipal ordinances or other laws pertaining to telecommunications Service which may adversely affect the safety of the customer or other persons or the integrity of the Telephone Company's Service.
- (C) When written notice is required for termination or suspension of Service, the Telephone Company shall give the customer at least five (5) days advance written notice by U. S. Mail prior to the date of termination. The written notice shall provide for the following:
- (1) The name of the person whose Service is to be terminated and the telephone number where Service is being rendered.
 - (2) The Telephone Company's rules or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the Telephone Company, if applicable.
 - (3) The date on or after which Service may be terminated.
 - (4) A statement advising the customer to contact the Telephone Company at a specific phone number for information regarding any deferred billing or other procedures which the Telephone Company may offer or to work out some other mutually agreeable solution to avoid termination of the customer's Service.

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- (D) The Telephone Company may refuse additional applications for Service and/or refuse to complete any pending orders for Service by the non-complying end user at any time, if the provisions of 2.2.1 (B) following apply, or if an end user fails to comply with Section 2.1.6 preceding or Sections 2.2.2, 2.3.1, 2.3.4 2.4 or 2.5 following, including any payments to be made by it on the dates and times herein specified.

If the Telephone Company does not discontinue the provision of the Services involved, and the end user's noncompliance continues, nothing contained herein shall preclude the Telephone Company's right to discontinue the provision of the Services to the non-complying end user without further notice.

- (E) When the Telephone Company has disconnected Competitive Exchange and/or Network Service to the end user for noncompliance with this Tariff, the end user will be required to pay all unpaid charges prior to the reconnection of Service. In addition the end user will be required to reapply for Service, being subject to the deposit requirements, Service Order, Line Connection and Installation (if applicable) Charges before service will be restored.

2.1.9 Limitations on the Discontinuance of Service

- (A) Jurisdictional Service cannot be denied or discontinued for delinquency or nonpayment of charges for Service unless the customer has been issued a bill for the charges consistent with the Commission's Rules and Regulations.
- (B) No end user will be given notice of discontinuance of Service nor shall his Service be discontinued if the unpaid bill is for services that are not jurisdictional telecommunications services. However, jurisdictional telecommunications service may be denied or discontinued when the Telephone Company can reasonably demonstrate that the jurisdictional service is being used to obtain unauthorized access to an interstate toll service being provided to the general public or if the Telephone Company has substantial reasonable grounds to believe that payment from the end user for jurisdictional toll services is in jeopardy.

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- (C) The Telephone Company may discontinue or decline to furnish jurisdictional service to any end user for failure to pay any indebtedness incurred for toll services provided by another IXC provider of IXC services to the general public, either intrastate or interstate services, if the IXC has a binding contractual relationship with the Telephone Company or is subscribing to the access tariffs of the Telephone Company, and the Telephone Company is the billing agent for the IXC.
- (D) The Telephone Company will not discontinue Service on any Saturday, Sunday, or at any time when the Telephone Company's business offices are not open for business.
- (E) The Telephone Company will postpone discontinuance of telephone Service to a residential end user for thirty (30) days from the date of a certificate by a licensed physician which states that discontinuance of Service will aggravate an existing medical emergency or create a medical emergency for an end user, a member of the end user's family, or other permanent resident on the premises where Service is rendered. This postponement will be limited to sixty (60) days within a continuous twelve month or a lesser period agreed upon by the Telephone Company and the customer or physician. This notice or certificate of medical emergency must be in writing and show clearly the name of the person whose illness would be exacerbated by discontinuance of Service, the nature of the medical emergency, and the name, title, and signature of the person giving notice of or certifying the medical emergency.
- (F) Where Service is provided to a medical care facility, including a hospital, medical clinic with resident patients, or nursing home, notice of pending discontinuance will be provided to the Commission as well as to the end user. Upon request from the Commission or its Staff, a delay in discontinuance of Service of no less than five (5) business days from the date of notice shall be allowed so that the Commission may take whatever steps are necessary to protect the interest of the resident patients.
- (G) Delinquency in payment for Services rendered to a prior customer at the premises where Service is being

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provided, except in the instance where the prior customer continues to reside on the premises.

- (H) Failure of the customer to pay for Services or equipment which are not regulated by the Commission.
- (I) Residential Service will not be disconnected due to nonpayment of a bill related to another class of Service.
- (J) Failure to pay for a bill to correct a billing error if the customer agrees to pay over a reasonable period of time.
- (K) Disputed bills where the customer has complied with the Commission's rules on complaints.

2.1.10 Notification of Service-Affecting Activities

To the extent practicable, the Telephone Company shall provide the end user with reasonable advance notice of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements, routine preventative maintenance and major switching office change-out.

2.1.11 Provision and Ownership of Telephone Numbers

The Telephone Company reserves the right to assign, designate or change telephone numbers, or the Telephone Company serving central office prefixes associated with such numbers, or any other call number designations associated with Access Services when necessary in the reasonable operation of its business. Should it become necessary to make a change in such number(s), the Telephone Company will furnish to the end user thirty (30) days prior notice, and an explanation of the reason(s) for such change(s). Assignment control of telephone numbers remains with the Telephone Company.

2.1.12 RESERVED FOR FUTURE USE

2.1.13 Minimum Customer Information Requirements

The Telephone Company will make available to residential customers upon request not later than sixty (60) days from the date of request a concise summary of the rate schedule applied for by such customer. In addition the Telephone Company will make available upon customer request not later

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than sixty (60) days from date of Service commencement a copy the Telephone Company's Tariff or the Commission's rules and regulations concerning deposits, terminations of Service, billing and collection, and complaint handling.

2.2 Use

2.2.1 Interference or Impairment

- (A) The characteristics and methods of operation of any circuits, facilities or equipment provided by other than the Telephone Company and associated with the facilities utilized to provide Services under this Tariff shall not interfere with or impair Service over any facilities of the Telephone Company, its affiliated companies, or its connecting and concurring carriers or customers using its Services, cause damage to their plant, impair the privacy of any communications carried over their facilities or create hazards to the employees of any of them or the public.
- (B) Except as provided for equipment or services subject to the FCC Part 68 Rules in 47 C.F.R. Section 68.108, if such characteristics or methods of operation are not in accordance with Section 2.2.1(A) preceding, the Telephone Company will, where practicable, notify the end user that temporary discontinuance of the use of a Service may be required; however, where the prior notice is not practicable, nothing contained herein shall be deemed to preclude the Telephone Company's right to temporary discontinuance, the end user will be promptly notified and afforded the opportunity to correct the condition which gave rise to the temporary discontinuance. During such period of temporary discontinuance, credit allowance for Service interruptions as set forth in Section 2.5.4 following is not applicable.

2.2.2 Unlawful Use

The Service provided under this Tariff shall not be used for an unlawful purpose.

- (A) The Telephone Company may, by notice in writing, without incurring any liability, either suspend or terminate the Service of an end user for any of the following reasons:

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- (1) Use of foul or profane language over the Service;
- (2) Impersonation of another person with fraudulent intent over the Service;
- (3) Making of nuisance calls over the Service;
- (4) Use of service by an end user in connection with a plan or contrivance to secure a large volume of calls to be directed to such end user at or about the same time, resulting in preventing, obstructing, or delaying the service of others;
- (5) Listening in on telephone conversations;
- (6) Abuse or fraudulent use of Service which includes:
 - (a) The use of Service or facilities of the Telephone Company to transmit a message or to locate a person or otherwise to give or obtain information, without payment of an applicable charge;
 - (b) The obtaining, or attempting to obtain, or assisting another to obtain or attempt to obtain telephone Service, by rearranging, tampering with, or making connection with any facilities of the Telephone Company, or by any trick, scheme, false representation, or false credit device, or by or through any other fraudulent means or device whatsoever, with intent to avoid the payment in whole or in part, of the established charge for such Service;
 - (c) Resale of any Service provided by the Telephone Company, except as provided by the FCC and applicable state Commission rules and regulations;
- (7) Use of the Service in such a manner as to interfere with the service of other users;
- (8) Use of the Service for any purpose other than a means of communication;

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- (9) Use of Service for unlawful purposes; and
 - (10) Any other violation of regulations as set forth in the Telephone Company's filed Tariff.
- (B) The Telephone Company may continue such suspension of Service until all violations have ceased, or terminate the Service without suspension of Service or following suspension of Service, and disconnect and remove any of its facilities from the end user's premises.
- (C) Service is furnished by the Telephone Company subject to the condition that it will not be used for any unlawful purpose. Service will not be furnished if any law enforcement agency, acting within its jurisdiction, advises that such Service is being used or will be used in violation of law, and secures proper legal orders to deny such Service.
- (D) In such instances when termination occurs, as in Section 2.2.2(A) proceeding, the Telephone Company shall be indemnified, defended and held harmless by the end user against any claim, loss, or damage arising from the Telephone Company's actions in terminating such Service.

2.3 Obligations of the End User or Customer

2.3.1 Damages

The end user shall reimburse the Telephone Company for damages to Telephone Company facilities utilized to provide Services under this Tariff caused by the negligence or willful act of the customer or end user, or resulting from the customer's or end user's improper use of the Telephone Company facilities, or due to malfunction of any facilities or equipment provided by other than the Telephone Company. Such damages will be the actual cost of the materials and the actual hours required for repair of the damage multiplied by the appropriate labor rate.

Nothing in the foregoing provision shall be interpreted to hold one end user liable for another end user's actions. The Telephone Company will, upon reimbursement for damages, cooperate with the end user in prosecuting a claim against the person causing such damage and the end user shall be subrogated to the right of recovery by the Telephone Company for the damages to the extent of such payment.

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2.3.2 Ownership of Facilities

Facilities utilized by the Telephone Company to provide Service under the provisions of this Tariff shall remain the property of the Telephone Company. Such facilities shall be returned to the Telephone Company by the end user, whenever requested, within a reasonable period following the request in as good condition as reasonable wear will permit.

2.3.3 Equipment Space and Power

The end user shall furnish or arrange to have furnished to the Telephone Company, at no charge, equipment space and electrical power required by the Telephone Company to provide Services under this Tariff at the points of termination of such Services. The selection of ac or dc power shall be mutually agreed to by the end user and the Telephone Company.

The end user shall also make necessary arrangements in order that the Telephone Company will have access to such spaces at reasonable times for installing, testing, repairing or removing Telephone company Services.

2.3.4 Availability for Testing

The Services provided under this Tariff shall be available to the Telephone Company at times mutually agreed upon in order to permit the Telephone Company to make tests and adjustments appropriate for maintaining the Services in satisfactory operating condition. Such tests and adjustments shall be completed within a reasonable time. No credit will be allowed for any interruptions involved during such tests and adjustments.

2.3.5 Claims and Demands for Damages

- (A) With respect to claims of patent infringement made by third persons, the end user shall defend, indemnify, protect and save harmless the Telephone Company from and against all claims arising out of the combining with, or use in connection with, the Services provided under this Tariff, any circuit, apparatus, system or method provided by the end user.
- (B) The end user shall defend, indemnify and save harmless the Telephone Company from and against any suits, claims, losses or damages, including punitive damages, attorney fees and court costs by third

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persons arising out of the construction, installation, operation, maintenance, or removal of the end user's circuits, facilities, or equipment connected to the Telephone Company's Services provided under this Tariff, including, without limitation, Workmen's Compensation claims, actions for infringement of copyright and/or unauthorized use of program material, libel and slander actions based on the content of communications transmitted over the end user's circuits, facilities or equipment, and proceedings to recover taxes, fines, or penalties for failure of the end user to obtain or maintain in effect any necessary certificates, permits, licenses, or other authority to acquire or operate the Services provided under this Tariff; provided, however the foregoing indemnification shall not apply to suits, claims, and demands to recover damages for damage to property, death, or personal injury unless such suits, claims or demands are based on the tortuous conduct of the end user, its offices agents or employees.

- (C) The end user shall defend its officers, indemnify and save harmless the Telephone Company from and against any suits, claims, losses or damages, including punitive damages, attorney fees and court costs by the end user or third parties arising out of any act or omission of the end user in the course of using Services provided under this Tariff.

2.4 Deposits

2.4.1 Criteria for Establishment and the Amount of a Deposit

- (A) The Telephone Company may, in order to safeguard its interests, require an end user who has a proven history of late payments to the Telephone Company or does not have established credit, to make a deposit, or other payment as a guarantee of the payment of rates and charges. This can be done prior to or at any time after the provision of a Service to the end user. The following criteria will be used to determine whether to require a deposit, or other payment as a condition of new or continued Service:

- (1) The Telephone Company may require existing customers to make deposits if their payment records show substantial non-payments for jurisdictional services provided by the

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Telephone Company in any two of the last twelve months or has presented a check subsequently dishonored. A deposit may be required even if such end users have paid a part of the amount owed before the date of Service disconnect for nonpayment. The Telephone Company must give the end user written notice of the amount of the deposit that is required and inform the end user that the deposit payment must be received in fifteen (15) calendar days.

- (2) The Telephone Company may require an existing business end user to make a deposit if the Telephone Company has reason to believe the end user's credit worthiness is in jeopardy. The Telephone Company will keep on file the information or reason for this credit judgment and make the information available to the end user upon request.
- (3) Unless the Telephone Company can reasonably demonstrate that the business user is likely to cease operations, information which would lead the Telephone Company to change its judgment of the end user's credit worthiness will be limited to bad debt records or tax liens.
- (4) The Telephone Company may require existing end users to pay a deposit in full without the notice requirements of 2.4.1. (A)(1) Above before Service is restored whenever the denied Service has been disconnected for non-payment of outstanding charges.
- (5) A deposit is not required if the applicant has been a customer of the Telephone Company for a similar type of Service within a preceding 12 consecutive month period, and applicant's credit was satisfactory and is not otherwise impaired.
- (6) A deposit is not required if the applicant can produce a letter regarding credit or verification from a Telephone Company where services of a comparable nature was last received which states:
 - (a) Applicant had a timely payment history at the time of service disconnect.

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(b) Applicant has no outstanding liability from prior service.

- (B) For residential customers the amount of the deposit which may be required of an applicant for the purpose of establishing credit shall not exceed two times the estimated average monthly bill or the average monthly bill for that customer, which ever is greater. For nonresidential customers, the amount of the deposit which may be required of an applicant for the purpose of establishing credit shall not exceed two and one-half times the estimated maximum monthly bill.

An estimate of the monthly bill for toll services furnished by another provider (customer) can be included in the estimated total monthly bill for jurisdictional services furnished by the Telephone Company when there is a binding contractual relationship between the Telephone Company and the toll service provider (customer).

- (C) The amount of the deposit may be adjusted on the basis as stated in 2.4.1(A) and (B) above at the request of the end user or by the Telephone Company at any time when the character, purpose, or degree of the end user's use of the Service has materially changed, or when it is indicated that it will change.
- (D) A deposit required under this portion of the Tariff is in addition to any advance, contribution or guarantee in connection with construction of lines or facilities, as provided in Section 14 of this Tariff.
- (E) The Telephone Company shall issue a receipt for the deposit to each applicant or end user from whom a deposit is received, and will provide means whereby a depositor may establish claim if a receipt is lost.
- (F) The Telephone Company may, at its option, not require a deposit from a new applicant that would otherwise be required to pay a deposit under this Tariff.
- (G) Records of all deposits will be maintained by the Telephone Company to show the following information:
- (1) The name and address of each depositor.
 - (2) The amount and date of the deposit.

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- (3) Record of each transaction concerning the deposit.
- (H) The Telephone Company shall maintain a record of each unclaimed deposit for at least (4) years, during which time the Telephone Company shall make a reasonable effort to return the deposit.

2.4.2 Limitation on the Use of Deposits

- (A) The making of a deposit shall not relieve any end user of the obligation to pay current bills when due. A deposit shall only be applied to the indebtedness of the end user for jurisdictional telecommunications Services of the Telephone Company. However, consistent with 2.4.1(B) above, the deposit may be applied to the indebtedness of the end user to a toll service provider which has a contractual billing relationship with the Telephone Company after the bills for jurisdictional telecommunications Services and other Services of the Telephone Company have been satisfied.
- (B) The Telephone Company will not require any security other than a cash deposit, or a surety bond, to secure payment for jurisdictional telecommunications Services.
- (C) The Telephone Company may review the customer's usage after Service has been connected and adjust the deposit amount based on the customer's actual usage.

2.4.3 Interest on Deposits

The Telephone Company shall pay simple interest upon the actual amount on deposit at the rate of six percent (6%) per annum.

2.4.4 Refund of Deposits

- (A) The Telephone Company shall refund any deposit, plus accrued simple interest, or the balance, if any, in excess of the unpaid bills for the jurisdictional Services furnished by the Telephone Company upon discontinuance of Service, or when an end user has established credit by other means. A transfer of Service from one location to another within the area served by the Telephone Company shall not be deemed a discontinuance of Service with the Telephone Company if the character of the service remains unchanged.

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- (B) The Telephone Company will mail, or otherwise deliver to the end user, when a deposit, with any associated interest, is applied to the liquidation of unpaid bills, a statement showing the amount of the original deposit, plus any accrued interest, the amount of unpaid bills liquidated by the deposit, plus any interest and the balance remaining due either to the end user or the Telephone Company.
- (C) When the customer has paid bills for residential Service for twelve consecutive months without having Service disconnected for nonpayment and without having more than two occasions in which a bill was delinquent, has not presented a dishonored check, and is not delinquent in the payment of the current bills, the Telephone Company shall automatically refund the deposit plus accrued interest in the form of a credit to the customer's bill.
- (D) The Telephone Company will annually review accounts of end users with deposits and shall refund deposits in accordance with 2.4.4(C) above.
- (E) The Telephone Company may, at its option, refund a deposit plus accrued interest in whole or in part at any time earlier than times prescribed in 2.4.4(C) above.
- (F) The Telephone Company shall pay within ten (10) working days without demand or notice from the end user a balance due to the end user after Service is discontinued and a final bill is rendered.
- (G) The Telephone Company will make a reasonable effort to make the refund of the deposit if the deposit cannot be made on the first attempt.
- (H) The Telephone Company will render to the depositor a statement showing the amount of deposit, the period the deposit was held and the amount of the interest paid, only when requested by an end user at the time a deposit is refunded.

2.5 Payment Arrangements and Credit Allowances

2.5.1 Payment of Rates and Charges

The Telephone Company shall bill on a current basis all charges incurred by the end user and credit all credits due

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to the end user under this Tariff attributable to Services established or discontinued during the preceding billing period.

The Telephone Company shall bill in advance charges for all Services billed on a monthly basis to be provided during the ensuing billing period except for charges associated with Service usage and for the Federal Government which will be billed in arrears. The bill day (i.e., the billing date of a bill for an end user for Competitive Exchange and Network Service under this Tariff), the period of Service each bill covers and the payment date will be as follows:

(A) The Telephone Company will establish a bill day each month for each end user account. The bill will cover non-usage sensitive Service charges, monthly charges for the ensuing billing period for which the bill is rendered, any known unbilled non-usage sensitive charges for prior periods and unbilled usage charges (toll) if requested by the toll providing customer for the period after the last bill day through the current bill day. Any known unbilled usage charges for prior periods if applicable, and any known unbilled adjustments will be applied to this bill. Payment for such bills is due as set forth in (1) following.

(1) Bills shall be payable on the last business day of the month and past due fifteen (15) days after the date of the Telephone Company mailing or after any deferred payment date previously established either by oral or written agreement between a customer and the Telephone Company. The date after which the bill is past due shall be stated on the bill. If the bill is not paid when past due, the Telephone Company may apply late payment charges on any unpaid balance as provided in its filed approved Tariff. Payment shall not be considered late if it is received by the due date at an authorized office.

If such payment date falls on a Sunday or on a Holiday which is observed on a Monday, the payment date shall be the first non-Holiday day following such Sunday or Holiday. If such payment date falls on a Saturday or on a Holiday which is observed on Tuesday, Wednesday, Thursday or Friday, the payment date

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shall be the last non-Holiday day preceding such Saturday or Holiday.

- (2) In the event the end user makes payment on the account with a check and the bank on which the check is drawn returns the check for reasons of "Non Sufficient Funds" (NSF), account closed or any other reason, a charge pursuant to state law or as set forth in Section 20.2(A) (2) will be made.

In the event the end user has an unpaid balance at the end of the billing period, a Late Payment Charge will be assessed each month at 1.5% of the amount of the unpaid balance of a subscriber's bill not paid prior to the next billing date.

In the event the end user's telephone service is temporarily disconnected a Service Restoration Charge will apply as set forth in Section 20.2(A) (4).

- (3) The rates of the Telephone Company do not include any state, county, city or other governmental sales taxes, municipal license, franchise, or occupation tax, or similar taxes or impositions on the Telephone Company.
- (4) Insofar as practicable, any sales, use, privilege, excise, franchise or occupation tax, costs of furnishing Service without charge or similar taxes or impositions now or hereafter levied by the Federal, State or Local government or any political subdivision or taxing authority thereof may be billed by the Telephone Company to its customers and added to the customers' bills on a pro rata basis in the areas wherein such taxes, impositions or other charges shall be levied against the Telephone Company.
- (5) Adjustments for the quantities of Services established or discontinued in any billing period beyond the minimum period set forth for Services in other sections of this Tariff will be prorated to the number of days or major fraction of days based on a 30-day month. The Telephone Company will, upon request and if

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available, furnish such detailed information as may reasonably be required for verification of any bill.

- (6) When a rate as set forth in this Tariff is shown to more than two decimal places, the charges will be determined using the rate shown. The resulting amount will then be rounded to the nearest penny (i.e., rounded to two decimal places).

2.5.2 Minimum Periods

The minimum period for which Services are provided and for which rates and charges are applicable is one month except where specifically noted elsewhere in this Tariff.

When a Service is discontinued prior to the expiration of the minimum period, charges are applicable, whether the Service is used or not, as follows:

- (A) When a Service with a one month minimum period is discontinued prior to the expiration of the minimum period, a one month charge will apply at the rate level in effect at the time Service is discontinued.
- (B) When a Service with a minimum period greater than one month is discontinued prior to the expiration of the minimum period, the applicable charge will be the total monthly charges, at the rate level in effect at the time service is discontinued, for the remainder of the minimum period.

2.5.3 Cancellation of an Order for Service

Provisions for the cancellation of an order for Service are determined in accordance with the definition of "Cancellation Charge" as set forth in Section 2.12 following.

2.5.4 Credit Allowance for Service Interruptions

(A) General

A Service is interrupted when it becomes unusable to the end user because of failure of a facility component used to furnish Service under this Tariff or in the event that the protective controls applied by the Telephone Company result in the complete loss of service by the end user as set forth in Section

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5.2(H) following. An interruption period starts when an inoperative Service is reported to the Telephone Company, and ends when the Service is operative.

Every month is considered to have thirty (30) days.

For purposes of this Tariff, a major fraction shall mean more than one third of the incremental credit period using the unit of time in which the Service interruption is measured. For a 24 hour period a major fraction equals 8 hours and one minute.

(B) When a Credit Allowance Applies

In case of an interruption to any Service, allowance for the period of interruption, if not due to the negligence of the end user (which shall not entitle end user to an allowance), shall be as follows:

- (1) For all Competitive Exchange and/or Network Service, no credit shall be allowed for an interruption of less than 24 hours unless agreed to by contractual agreement. The end user shall be credited for an interruption of 24 hours or more at the rate of 1/30 of the applicable monthly rates for each period of 24 hours.

The monthly charges used to determine the credit shall be the total of all the monthly rate element charges associated with the jurisdictional Service charged by the Telephone Company.

- (2) The credit allowance(s) for an interruption or for a series of interruptions shall not exceed the monthly rate charge for the Service interrupted in any one monthly billing period.

(C) When a Credit Allowance Does Not Apply

No credit allowance will be made for:

- (1) Interruptions caused by the negligence or willful acts of the end user.
- (2) Interruptions of a Service due to the failure of equipment or systems provided by the end user or others.

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- (3) Interruptions of a Service during any period in which the Telephone Company is not afforded access to the premises where the Service is terminated.
- (4) Natural disasters, emergencies, catastrophes, severe storm or other events affecting large numbers of end users or other extraordinary or abnormal conditions of operations, such as those resulting from work stoppages, civil unrest, acts of terrorism, or other events for which the Telephone Company may not have been expected to accommodate.
- (5) Interruptions of a Service when the end user has released that Service to the Telephone Company for maintenance purposes, to make rearrangements, or for the implementation of an order for a change in the Service during the time that was negotiated with the end user prior to the release of that Service. Thereafter, a credit allowance as set forth in (B) preceding applies.
- (6) Periods when the end user elects not to release the Service for testing and/or repair and continues to use it on an impaired basis.
- (7) An interruption or a group of interruptions, resulting from a common cause, for amounts less than one dollar.

(D) Use of an Alternative Service Provided by the Telephone Company

Should the end user elect to use an alternative Service provided by the Telephone Company during the period that a Service is interrupted, the end user must pay the tariffed rates and charges for the alternative Service used.

(E) Temporary Surrender of a Service

In certain instances, the end user may be requested by the Telephone Company to surrender a Service for purposes other than maintenance, testing or activity relating to a service order. A credit allowance may be granted for the duration of the service interruption. The credit allowance will be 1/30 of

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the monthly rate for each period of 24 hours or major fraction thereof that the Service is surrendered. In no case will the credit allowance exceed the monthly rate for the Service surrendered in any one monthly billing period.

2.5.5 Re-establishment of Service Following Fire, Flood, or Other Occurrence

(A) Nonrecurring Charges Do Not Apply

Access Order and Line Connection charges do not apply for the re-establishment of Service following a fire, flood, or other occurrence attributed to an Act of God provided that:

- (1) The Service is of the same type as was provided prior to the fire, flood, or other occurrence;
- (2) The Service is for the same end user;
- (3) The Service is at the same location on the same premises; and
- (4) The re-establishment of Service begins within sixty (60) days after Telephone Company service is available. (The 60 day period may be extended a reasonable period if the renovation of the original location on the premises affected is not practical within the allotted time period.)

(B) Nonrecurring Charges Apply

Service Order, Line Connection, and Premise Visit Charges apply for establishing service at a different location, on the same premises, or at a different premises pending re-establishment of Service at the original location at the rate set forth in Section 20.3 following.

2.5.6 Title or Ownership Rights

The payment of rates and charges by customers for the Services offered under the provisions of this Tariff does not assign, confer or transfer title or ownership rights to proposals or facilities developed or utilized, respectively, by the Telephone Company in the provision of such services.

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2.6 Customer Service Complaints

The Telephone Company will make a full and prompt investigation of all Service complaints made by its customers, either directly or through the Commission. The Telephone Company will respond within five (5) working days as to the status of the investigation of the complaint. The Telephone Company will notify the complainant and/or Commission representative of the final disposition of each. Upon request the Telephone Company will report the findings of its complaints received which will contain the following data:

- (A) Name and address of complainant
- (B) Date and nature of the complaint
- (C) Disposition of the complaint
- (D) A copy of any correspondence between the Telephone Company, the customer, and/or the Commission

A record will be maintained for a minimum period of one (1) year and will be available for inspection by the Commission.

2.7 Customer Bill Disputes

Any Telephone Company customer who disputes a portion of a bill rendered for the telephone Service shall pay the undisputed portion of the bill and notify the Telephone Company's designated representative that such unpaid amount is in dispute prior to the delinquent date of the bill. Upon receipt of the customer notice of dispute, the Telephone Company will:

- (A) Notify the customer within five (5) working days of the receipt of a written dispute notice
- (B) Initiate a prompt investigation as to the source of the dispute
- (C) Withhold disconnection of Service until the investigation is completed and the customer is informed of the results

Once the customer has received the results of the Telephone Company's investigation the customer will submit payment within five (5) working days to the Telephone Company for any disputed amounts. Failure to make full payment shall be grounds for termination of Service. Prior to termination the Telephone

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Company will inform the customer of his right of appeal to the Commission.

2.8 Commission Resolution of Service and/or Bill Disputes

In the event a customer and Telephone Company cannot resolve a Service and/or bill dispute, the customer shall file a written statement of dissatisfaction with the Commission by submitting such notice to the Commission, the customer shall be deemed to have filed an informal complaint against the Telephone Company. Within thirty (30) days of the receipt of a written statement of customer dissatisfaction related to a service of bill dispute, a designated representative of the Commission shall endeavor to resolve the dispute by correspondence and/or telephone with the Telephone Company and the customer. If resolution of the dispute is not achieved within twenty (20) days of the Commission representative's initial effort, the Commission shall hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing shall be governed by the following rules:

- (A) Each party may be represented by legal counsel, if desired.
- (B) All such informal hearings may be recorded or held in the presence of a stenographer.
- (C) All parties and the Commission's representative shall be given the opportunity for cross-examination of the various parties.
- (D) The Commission's representative will render a written decision to all parties within five (5) working days after the date of the informal hearing. Such written decision of the arbitrator is not binding on any of the parties and the parties will still have the right to make a formal complaint to the Commission.

The Telephone Company may implement normal termination procedures if the customer fails to pay all bills rendered during the resolution of the dispute by the Commission.

2.9 Notice by Telephone Company of Responsible Officer or Agent

The Telephone Company shall maintain on file with the Commission a written statement containing the name, address (business and residence) of at least one officer, agent or employee responsible for the general management of its operations as a Telephone Company in Arizona. The Telephone Company shall give notice, by filing a written statement with the Commission, of any change in

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the information required herein within five (5) days from the date of any such change.

2.10 Filing of Tariffs; Revisions to Tariffs

The Telephone Company shall file with the Commission tariffs which are in compliance with the rules and regulations promulgated by the Commission within one hundred twenty (120) days of the adoption of such rules by the Commission. Any proposed changes to the tariffs on file with the Commission will be accompanied by a statement of justification supporting the proposed change in tariff. Revised tariff sheets filed with the Commission shall become effective in accordance with A.R.S. § 40-250.

2.11 Accounts and Records; Annual Reports; Confidentiality

The Telephone Company shall keep general and subsidiary accounting books and records reflecting the costs of its intrastate properties, assets and liabilities, operating income and expenses, and all other accounting and statistical data which reflect complete, authentic, and accurate information regarding its properties and operations. These accounting records shall be organized and maintained in such a way as to provide an audit trail through all segments of the Telephone Company's accounting system. The Telephone Company shall maintain its books and records in accordance with Generally Accepted Accounting Principles as promulgated by the Financial Accounting Standards Board and its successors, as amended by any subsequent modification or official pronouncement thereto, which directly relates to regulated industries. Alternatively, and at its option, Telephone Company may elect to maintain its books and records in conformity with the Uniform Systems of Accounts for Class A, B, C, or D telephone utilities as adopted and amended by the Federal Communications Commission or, for telephone companies, as promulgated by the Rural Utilities Service, if applicable. The Telephone Company will produce or deliver any or all of its formal accounting records and related documents lawfully requested by the Commission. Telephone Company may, at its option, provide verified copies of original records and documents. The Telephone Company shall submit an annual report to the Commission on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year. No information furnished to the Commission by Telephone Company, except matters specifically required to be open to public inspection, shall be open to public inspection or made public except on order of the Commission entered after notice to Telephone Company, or by the Commission or a commissioner in the course of a hearing or proceeding.

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2.12 Definitions

Certain terms used herein are defined as follows:

Access Line

The Telephone Company provided and maintained facility which provides access to and/or from the public switched network.

Access Service Order or End User Service Order Charge

A charge for preparing the order to connect, install, rearrange move or repair Telephone Company facilities for the end user.

Additional Listing

Any listing of a name or other authorized information in connection with an end user's telephone number in addition to the end user's entitled directory listing for Competitive Exchange Switching Service.

Advance in Aid to Construction

Funds provided to the Telephone Company by the applicant under the terms of a construction agreement, which may be refundable.

Airline Mileage

The shortest distance between two locations. Airline mileage is calculated using the V and H coordinates method.

Applicant

Any person, partnership, cooperative corporation, corporation, or lawful entity requesting service from the Telephone Company.

Arizona Corporation Commission or Commission

The regulatory authority of the state of Arizona having jurisdiction over public service corporations operating in Arizona.

Authorized User

An end user and a person, firm or corporation (other than the end user) on whose premises a Competitive Exchange and/or Network Service is located and who may communicate over such service in accordance with the terms of this Tariff.

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Business Day

The term "Business Day" denotes the times of day that the Telephone Company is open for business. Generally, these are 8:00 A.M. to 5:00 P.M. Mountain Standard Time, Monday through Friday, resulting in a standard forty (40) hour work week.

Business End User

An end user being provided Competitive Exchange and/or Network Service, where the actual or obvious use of the service either by him/herself, members of his/her household, guests or parties calling can be considered as more of a business than of a residence nature; which fact might be indicated by advertising, either by business cards, newspapers, handbills, billboards, circulars, motion picture screens, or advertising matter such as on vehicles, etc.

Call

The term "Call" denotes an end user completed message for which the complete address code (e.g., 0-, 0+, 1, 911, 7 digits, or 10 digits) is provided to the serving dial tone office. The following are types of calls:

Cancellation Charge

A charge determined at the time of cancellation to recover the cost of Telephone Company expenses and unrecoverable materials (either used or depreciated) or a minimum of one month's charge for the service ordered.

Central Office

An operating unit of a Telephone Company by means of which connections are established between customers' lines and between customers' lines and trunk or toll lines.

Channel(s)

One communication path between two (2) or more points suitable for transmitting information.

Circuit

A channel used for the transmission of electrical energy in the furnishing of telephone and other communications services.

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Class of Service

A description of Competitive Exchange and/or Network Service furnished an end user in terms of grade of service, type of rate, location and use.

Commission

The term "Commission" denotes the Arizona Corporation Commission.

Common Line

The term "Common Line" denotes an access line (business, residence, or pay telephone line or other facility) terminated on a central office switch.

Company

The term "Company" or "Telephone Company" denotes Accipiter Communications, Inc, d/b/a Zona Communications.

Combination Service

The term "combination service" means a service where a Residential End-User may qualify for discounts on the first and additional lines if the Residential End-User subscribes to either internet access or cable/satellite service from the Company. The discount will continue as long as the Residential End-User subscribes to either internet access or cable/satellite service.

Construction Charge

A special separate non-recurring charge made for the construction of facilities in excess of those contemplated under the rates quoted in the Tariff.

Continuous Property

The plot of ground, together with any buildings thereon, occupied by the end user, which is not divided by public highways, separated by property occupied by others or separated by pasture, farm or otherwise unoccupied property.

Contract

The agreement between an end user and the Company under which service and facilities are furnished in accordance with the applicable provisions of this Tariff.

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Contribution in Aid of Construction

Funds provided to the Telephone Company by the applicant under the terms of a construction agreement or construction tariff which are not refundable.

Cost

The cost of labor, materials, and engineering which includes, but is not limited to, appropriate amounts to cover the Company's general operating and administrative expenses.

Customer

The term "Customer(s)" denotes any individual, firm, partnership, associated, joint-stock company, trust, corporation, governmental entity or other lawful entity provided with competitive services by the Telephone Company.

Customer Trouble Report

Any oral or written report given to the Telephone Company's repair Service by a customer or user of telephone service relating to a physical defect or difficulty or dissatisfaction with the provision of the Telephone Company competitive services. Each trouble report shall count as a separate report regardless of whether subsequent reports relate to the same physical defect, difficulty, or dissatisfaction with the provision of the Telephone Company competitive services.

Detail Billing

The term "Detail Billing" denotes the listing of each message and/or rate element for which charges to an end user are due on a bill prepared by the Telephone Company.

Directory Assistance (Intrastate)

The term "Directory Assistance" denotes the provision of telephone numbers by a Telephone Company operator when the operator location is accessed by an end user by dialing NPA + 555-1212 or 555-1212, or 1-411.

Directory Listing

A publication in ILEC's alphabetical directory of information relative to an end user's name or other identification and telephone number.

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Drop Wire

That portion of a circuit between the pole line or cable distributing point and the building in which the station is located.

Emergency

A situation which exists when serious sickness or public safety is involved.

End Office Switch

The term "End Office Switch" denotes a competitive Telephone Company switching system where Competitive Exchange and Network Service end user loops are terminated for purposes of interconnection to trunks and other end user loops.

End User

The term "End User" means any subscriber of a Competitive Exchange or Network Service that does not make such service available to others, directly or indirectly for the purpose of providing gratuitous service on a continuing basis or reselling interstate, intrastate, or local competitive exchange services.

Entrance Facilities

Facilities extending from the point of entrance on private property to the premises on which service is furnished.

Exchange

A geographic area established by a Telephone Company and approved by the Commission for the administration of competitive exchange and network services in a specified area which usually embraces a city, town, or village and its environs. It may consist of one or more central offices together with associated plant used in furnishing communication service in that area.

Exchange Area

The territory served by an Exchange.

Extension Premise

A circuit connecting a primary access line which ends at one protector to an extension access line which ends at an extension protector, both serving the same end user and utilizing the same telephone number.

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Facilities

All the plant and equipment of a Telephone Company including all tangible and intangible real and personal property without limitation, and any and all means and instrumentalities in any manner owned, operated, leased, licensed, used, controlled, furnished, or supplied for, by, or in connection with the competitive or regulated business of any Telephone Company.

First-Come First-Served

First-come first-served shall be based upon the received time and date stamped by the Telephone Company on complete and accurate end user orders which allow the Telephone Company to initiate its ordering process. Inaccurate or incomplete end user orders shall not be deemed to have been received until such time as the end user corrects such inaccuracies and/or omissions. The end user shall not be penalized for any delay in the Telephone Company review process beyond 24 hours of receipt. Once having been advised of the errors and/or omissions, any delay in correction on the part of the end user shall be added to the received time and date. As facilities and/or equipment become available, end users will be provided service in the order of the earliest received time and date.

Foreign Exchange Directory Listing

An alphabetical directory listing in the local exchange directory for an end user obtaining competitive exchange access service from another company/exchange and access from the Company's interstate or intrastate access tariffs, if applicable.

ILEC

ILEC means an incumbent local exchange carrier.

Immediately Available Funds

The term "Immediately Available Funds" denotes a corporate or personal check drawn on a bank account and funds which are available for use by the receiving party on the same day on which they are received and include U. S. Federal Reserve bank wire transfers, U. S. Federal Reserve notes (paper cash), U.S. coins, U. S. and Postal money orders.

Individual Case Basis (ICB)

The term "Individual Case Basis" denotes a condition in which the regulations, if applicable, rates and charges for an offering

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under the provisions of this Tariff are developed based on the circumstances in each case.

Installation Charge

The term "Installation Charge" denotes a non-recurring charge, either an Access Order Charge or Line Connection Charge, made either prior to or at the time of the installation of competitive exchange or network service in addition to the other applicable charges for use of telephone company facilities.

Interexchange Carrier(IC/IXC) or Interexchange Common Carrier

The terms "Interexchange Carrier" (IC) or "Interexchange Common Carrier" denotes any individual, partnership, association, joint-stock company, trust, governmental entity or corporation engaged for hire in intrastate or interstate and international communications by wire or radio, between two or more exchanges.

Interstate Communications

The term "Interstate Communications" denotes both interstate and international communications.

Interstate or International Toll Call

A call made on a usage sensitive basis between two or more end users in different states or countries utilizing the facilities of a common carrier.

Intrastate Communications

The term "Intrastate Communications" denotes any communications within a state subject to oversight by a state regulatory commission as provided by laws of the state involved.

Intrastate Toll Call

A call made on a usage sensitive basis between two or more end users within the State, utilizing the facilities of a common carrier.

IXC

IXC means an interexchange carrier

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Jurisdictional Services

The term "Jurisdictional Service" means any telecommunications service subject to the authority of this Commission under the statutes of the State of Arizona.

Line Extension

The lines and equipment necessary to provide service to additional customers.

Local Access and Transport Area (LATA)

The term "Local Access and Transport Area" denotes a geographic area established for the provision and administration of communications services. It encompasses one or more designated exchanges, which are grouped to serve common social, economic, and other purposes.

Local Call

A call made on a flat rate basis between two or more end users within an exchange calling area.

Local Competitive Exchange Access Service

Communications service within a local calling area provided by the Company in accordance with the provisions of the Company's Local Competitive Exchange Access Service Tariff.

Message

The term "Message" denotes a "call" as defined preceding.

Mobile Home Park

A tract of land designed for the parking of at least five (5) mobile homes.

Non-Continuous Property

The plot of ground, together with any buildings thereon, occupied by the end user, which is divided by public highways, separated by property occupied by others, or separated by pasture, farm, or otherwise unoccupied property.

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Non-Recurring Charge

A one-time charge associated with installations, rearrangements, connections, certain repairs, and changes that are in addition to recurring monthly service charges.

Off-hook

The term "Off-hook" denotes the active condition of Switched Access or a Competitive Local Exchange Common Line Service.

On-hook

The term "on-hook" denotes the idle condition of Switched Access or a Competitive Local Exchange Common Line Service.

Point of Termination

The term "Point of Termination" denotes the point of demarcation (protector) within an end user designated premises at which the Telephone Company's responsibility for the provision of Competitive Local Exchange or Network Access Service ends.

Premises

The buildings, portion or portions of a building on continuous property used and/or occupied at by the end user in the conduct of his business or as a residence. Where floor space in adjoining building is made continuous at one or more floor levels, all floor space in both buildings is considered as the same premises insofar as the end user who uses and occupies such continuous floor space is concerned. The two buildings otherwise are considered as separate buildings.

Recurring Charge

The normal monthly charges for the Competitive Local Exchange or Network Access Services offered under this Tariff.

Registered Equipment

The term "Registered Equipment" denotes the customer's premises equipment which complies with and has been approved within the Registration Provisions of Part 68 of the F.C.C.'s Rules and Regulations.

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Residential End User

An end user being provided Competitive Local Exchange or Network Access Service, where the actual or obvious use of the service either by him/herself, members of his/her household, guests or parties calling can be considered as more of a residential (social or domestic) than a business nature.

Repair Charge

A charge to repair Telephone Company facilities on the end user premises that was damaged either accidentally or intentionally.

Security Line

Local only phone line limited to 25 outgoing local phone calls per month. No features or long distance allowed. Calls to directory assistance, 911 and telephone repair service are not subject to message unit charges.

Service Access Point

A demarcation point where facilities owned, leased, or under license by a customer connect to the Telephone Company provided access line.

Shortage of Facilities or Equipment

The term "Shortage of Facilities or Equipment" denotes a condition which occurs when the Telephone Company does not have appropriate cable, switching capacity, bridging or multiplexing equipment, etc., necessary to provide the Competitive Local Exchange Access Service requested by the end user.

Subject to Availability of Equipment

The term "Subject to availability of equipment" means whether the equipment in question is installed, in operating condition, and has the required capacity available in the end office of the Telephone Company.

Tariff

Tariff refers to this Competitive Exchange and Network Services Tariff.

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Telephone Company or Company

The term "Telephone Company" or "Company" denotes Accipiter Communications, d/b/a/ Zona Communications.

Temporary Service

Competitive Local Exchange Access Service definitely known to be required for a short period of time, such as service provided for contractors for use during construction of a building, sales campaign, athletic contests, conventions, fairs, circuses, etc.

Underground Service Connection

An end user's drop wire which is run underground from a pole line or an underground distributing cable.

V and H Coordinates Method

The term "V and H Coordinates Method" denotes a method of computing airline miles between two points by utilizing an established formula which is based on the vertical and horizontal coordinates of the two points.

Vacation Service

Service furnished to the end user at a reduced rate, which is granted for an indefinite period of time, as long as the end user's payment record is current. Vacation Service also enables the end user to retain the same telephone number.

3. ACCESS ORDERING, SERVICE CONNECTION, MOVE AND CHANGE SERVICE

3.1 General Description

This section sets forth the regulations and order related charges for the ordering and installation of Competitive Exchange and Network Service from this Tariff. These charges are in addition to other applicable recurring charges as set forth in other sections of this Tariff.

A Competitive Exchange or Network Access Order is an order to provide an end user with Competitive Exchange or Network Service or changes to existing Competitive Exchange or Network Service.

3.2 Definitions

- (A) Custom Service Connect Charge - Applicable to work done to execute a customer's request for additions or changes in Custom Calling services.

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- (B) Service Order - Applicable to work done in receiving, recording, and processing information necessary to execute a customer's request for the establishment, addition, move, change, or rearrangement of service.
- (C) Line Connection - Applicable for work done in the central office or work involving central office equipment necessary to provide a network access line or make changes to an existing network access line. If Service requires work in more than one central office area, this charge applies for each office.
- (D) Premise Visit - Applicable if, at the end user's request, a Company employee must visit the end user's premises to move, change, or install a service drop or standard network interface at the customer's request or to answer a trouble call when the trouble is not caused by telephone facilities or equipment. Not applicable when a Company employee is on the end user's premises for non-jurisdictional services or other purposes.
- (E) 900 Block - Applicable to work done to restrict the customer's telephone service from being able to originate 900 calls.

3.3 Ordering Conditions

- (A) These charges are intended to cover the expense incurred by the Telephone Company in conjunction with the following:
 - (1) Establishment or change in Service;
 - (2) Change in location of a Service to another premises;
 - (3) Transfer of service from one customer to another;
 - (4) Change of telephone number at the customer's request;
 - (5) Installation of auxiliary equipment; and
 - (6) Addition of 900 Block.
- (B) Charges shown are in addition to installation charges shown under other Tariff sections.

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(C) Charges shown in this schedule are based on work being performed during regularly scheduled working hours of the Telephone Company's employees. Work performed with overtime labor costs will be performed at direct cost to the customer.

(D) No charges will apply to Service to which no monthly rates apply.

3.4 Rate Regulations

(A) The Custom Service Connect Charge is as set forth in Section 20.3(A) (1) following.

(B) The Service Order Charge is as set forth in Section 20.3(A) (2) following.

(C) The Line Connection Charge is as set forth in Section 20.3(A) (3) following.

(D) The Premise Visit Charge is as set forth in Section 20.3(A) (4) following.

(E) The 900 Block Charge is as set forth in Section 20.3(A) (5) following.

4. SPECIAL SERVICE ARRANGEMENTS

4.1 General Description

If the requirements of customers cannot be met with the regulatory offered service arrangements, special service arrangements will be furnished where practical in the sole discretion of the Telephone Company. Special service arrangements will be furnished when practical, by the Telephone Company, at charges equivalent to the estimated cost of furnishing such equipment and arrangements if in connection with and not detrimental to any of the services furnished under the Telephone Company's Tariffs.

4.2 Rates and Charges

4.2.1 Computation

(A) Rates for special service arrangements are equivalent to the estimated costs of furnishing the special service arrangement.

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- (B) Estimated cost consists of an estimate of the total cost to the Telephone Company in providing the special service arrangement, including:
 - (1) Cost of maintenance;
 - (2) Cost of operation;
 - (3) Depreciation on the estimated installed cost of any facilities used to provide the special service arrangement based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;
 - (4) General Administrative expenses, including taxes on the basis of average charges for these items;
 - (5) Any other item of expenses associated with the particular special service arrangement; and
 - (6) An amount, computed on the estimated average net installed cost of the facilities used to provide the special service arrangement, for return on investment.
- (C) Estimated installed cost includes cost of equipment and materials provided or used plus the estimated cost of installation, including engineering, labor, supervision, transportation, rights-of-way, and other items which are chargeable to the capital accounts.
- (D) Special service arrangement rates are subject to review and revision conditioned upon changing costs.
- (E) At such time as a special service arrangement becomes a tariff offering, the Tariff rates shall apply.
- (F) The following rate treatments may be used in connection with charges for special service arrangements:
 - (1) Monthly rental and termination agreement with or without an installation charge;
 - (2) Monthly rental with or without an installation charge; or
 - (3) Installation charges only.

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5. COMPETITIVE EXCHANGE ACCESS SERVICE

5.1 General Description

Competitive Exchange Access Service (Switching and Access Line) provides for an access line and the ability to switch or complete a call made by one end user within the Telephone Company Exchange to another end user within the Telephone Company Exchange. Competitive Exchange Access Service also provides for the listing of the end user's telephone number in the ILEC telephone directory. Service may be temporarily suspended at the customer's request under a reduced Vacation Rate.

5.2 Undertaking of the Telephone Company

- (A) The Telephone Company will provide Competitive Exchange Access Service to end users residing within any exchange boundaries of the counties the Telephone Company is approved to serve.
- (B) Use of Competitive Exchange Access Service will be provided to residential and business end users only.
- (C) An end user that is provided with Competitive Exchange Access Service will be provided with a telephone number whose numerical values are of the Telephone Company's choosing.
- (D) An end user that is provided with a telephone number will also be provided with a one line entry in the ILEC directory, listing the end user's name and telephone number. The end user's street address may be published at the option of the Telephone Company. Unpublished numbers or any variation of the Telephone Company's directory listing may be made in accordance with the rates, rules, and regulations set forth in Section 8, Supplemental Directory Listings.
- (E) An end user that is provided Competitive Exchange Access Service may be provided a Premise Extension in accordance with the provisions set forth in Section 10, Premise Extension Service.
- (F) Vacation Rate Service is applicable to service during the temporary absence of the principal members of the end user's household or business. Vacation rate service may begin on any day of the month. Complete service will be restored without notice from the subscriber on the last day of the designated vacation service rate period, unless the subscriber requests

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the Company to restore service sooner or to extend the vacation rate service period. See Section 5.6(C) following for Rate Regulations.

- (G) Intercept arrangements as necessary will be provided with Competitive Exchange Access Service with each relocation or discontinuation of service. Such intercept arrangements will be the sole responsibility of the Telephone Company.
- (H) The Telephone Company will administer its network to insure the provision of acceptable service levels to all end users of the Telephone Company's service. Generally, service levels are considered acceptable only when end users are able to establish connections with little or no delay encountered within the Telephone Company network. The Telephone Company maintains the right to apply protective controls which selectively cancels the completion of traffic carried over its network, including that associated with the end user's Competitive Exchange Access Service. Generally, such protective measures would only be taken as a result of occurrences such as failure or overload of Telephone Company facilities, natural disasters, mass calling or national security demands. In the event that the protective controls applied by the Telephone Company result in the complete loss of service by the end user, the end user will be granted a Credit Allowance for Service Interruption as set forth in Section 2.5.4(B)(1) preceding.
- (I) An end user that orders Competitive Exchange Access Service in a situation where the construction cost reflects substantial extra costs or risk in relation to the service being provided may obtain service in accordance with Section 14, Construction and Special Charges.
- (J) An application for service becomes a contract for the establishment of service. The Telephone Company may obtain the following minimum information from each new applicant for service:
 - (1) Name or names of applicant(s); Driver's License Number; Social Security Number and Date of Birth

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- (2) Service address or location and telephone numbers;
 - (3) Billing address, if different than service address;
 - (4) Address and telephone number where Service was provided previously;
 - (5) Date applicant will be ready for Service; and
 - (6) Indication of whether applicant is owner or tenant of or agent of the premises.
- (K) The Telephone Company may require a new applicant for service to appear at the Telephone Company's place of business to produce proof of identity and sign the Telephone Company's application form.
- (L) Where service is requested by two or more individuals, the Telephone Company will have the right to collect the full amount owed to the Telephone Company from any one of the applicants.
- (M) After the applicant has complied with the Telephone Company's application, construction agreement, or Tariff, deposit requirements, and has been accepted for service by the Telephone Company, the Telephone Company will schedule that customer for service connection and/or establishment.
- (N) Service establishments shall be scheduled for completion within ten (10) working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishment beyond the ten (10) working day limitation.
- (O) The maximum interval of ten (10) working days applies to single line residence and business installations only. Multi-line services and any special equipment configurations shall be installed within a reasonable time frame based on availability of necessary equipment.
- (P) When the Telephone Company has made arrangements to meet with a customer for service establishment purposes and the Telephone Company or the customer cannot make the appointment during the prearranged time, the Telephone Company will reschedule the

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establishment to the satisfaction of both parties. Unless another time frame is mutually acceptable to the Telephone Company and the customer, the Telephone Company will schedule the service establishment appointment within a maximum range of four hours during normal working hours. Service establishment only applies where the Telephone Company and the customer's facilities are available and the Telephone Company only needs to connect service.

- (Q) The Telephone Company has the right and may require from a new applicant an advance payment equal to two month's charge for Service provided. The amount of the advance payment is credited to the end user's account on the first bill rendered by the Telephone Company. The end user shall forfeit the balance of the advance payment in the event that the end user terminates Service within the first two months of service.

5.3 Limitations

- (A) The determination of the numerical value of the telephone number provided to the end user is the sole responsibility of the Telephone Company.
- (B) The design of the local telephone directory and the individual listing of each end user is the sole responsibility of the local ILEC.
- (C) The design of the intercept message, its length if over twenty-five (25) words and its duration if over sixty (60) days is the sole responsibility of the Telephone Company.
- (D) Competitive Exchange Access Service will not be provided to end users residing outside of the Telephone Company's Competitive Exchange Area (i.e. Foreign Exchange Service) except as authorized by the Commission.
- (E) Competitive Exchange Access Service will not be provided for use as dedicated facilities.
- (F) Competitive Exchange Access Service will not be provided in subdivisions and mobile home parks except as provided in Section 14, Construction Charges, following.

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- (G) Vacation Rate Service is granted for an indefinite period of time, as long as the end user's payment record is current.
- (H) No outward or inward service is provided during the period of Vacation Rate Service.

5.4 Obligations of the End-User

The obligations of the end user are as set forth in Section 2.3 preceding. In addition the following obligations apply:

- (A) The end user shall, upon application for Competitive Exchange Access Service, provide the desired name for the directory listing and street address if different than that on the service order application.
- (B) An end user discontinuing or relocating Competitive Exchange Access Service and requesting an intercept message for the discontinued telephone number shall notify the Telephone Company of such request.
- (C) An end user ordering an unpublished directory listing shall notify the Telephone Company of such order at the time of application for Competitive Exchange Access Service and order such service from Section 8, Supplemental Directory Listings.
- (D) An end user ordering Vacation rate service, extension of service, or requesting early restoration of complete service must give sufficient advance notice to permit the Telephone Company to make the arrangements.
- (E) An end user requesting to change occupancy, account responsibility, or discontinue service must give the Telephone Company not less than three working days advance notice in person, writing, or by telephone at the Telephone Company's office. The end user whose name service is being rendered shall be responsible for all Telephone Company Services provided and/or consumed up to the scheduled date of service discontinuation. Existing business Service may be continued for a new subscriber only if the former subscriber consents and an agreement acceptable to the Telephone Company is made to pay all outstanding charges against the Service. Change of responsibility on a residence account shall occur only in those

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cases where both parties previously shared telephone Service.

5.5 Payment Arrangements and Credit Allowances

The payment arrangements and credit allowances as set forth in Section 2.5 preceding apply.

5.6 Rate Regulations

- (A) The charges for Residential Competitive Exchange Access Service are as set forth in Section 20.5(A) (1) following.
- (B) The charges for Business Competitive Exchange Access Service are as set forth in Section 20.5(A) (2) following.
- (C) The charge for Vacation Rate Service is set forth in Section 20.5(B) following. All applicable non-recurring charges will apply to the restoration of Service. Any charges made for directory listings will continue at the full rate during the vacation period.
- (D) The charge for Combination Service are as set forth in Section 20.5(A) (3) following.
- (E) The charges for Security Line phone are set forth in Section 20.5(A) (4) following.

5.7 Low-Income Assistance Programs

- (A) Low-Income Assistance Programs consist of federal and state assistance. The Arizona Low-Income Telephone Assistance Program (ALITAP) is assistance offered by the state of Arizona. Lifeline Assistance and Lifeline Connection Assistance (Link Up) are the two programs which offer federal assistance. These programs were developed to reduce rates for low income customers. The Company participates in all of these assistance programs to increase the availability of telecommunications Services to all consumers in its serving areas. The structure of each program is outlined in the following paragraphs.
- (B) Arizona Low-Income Telephone Assistance Program (ALITAP)
 - (1) Definition

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The Arizona Low-Income Telephone Assistance Program provides for a credit against the recurring monthly rate for the provision of competitive residential service for certain low-income customers.

(2) Application

(a) The Arizona Low-Income Telephone Assistance Program credit is only available to low-income customers who meet eligibility requirements established by A.R.S. §§ 42-1322.02, 46-701, 46-702, 46-703, and 46-704. Applicants must be a head of household, be sixty-five (65) years of age or older, and have a household income at or below poverty level.

(b) The monthly credit will be based on the sum of a 17% discount on the following competitive exchange service offerings where applicable:

- Flat rate individual service
- Flat rate multiparty service
- Low Use Option Service
- Monthly increments
- Local area calling usage¹
- Maintenance of inside wiring
- Service station service

(3) Regulations

(a) The Arizona Low-Income Telephone Assistance Program credit will begin with the date the Company receives a valid application from the customer or when new service is established for a qualifying customer. The credit will be prorated on

¹ Competitive area calling usage receives a discount limited to an amount that in addition to the exchange access service does not exceed the comparable flat rate total.

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the basis of a 30-day month from the effective date of the customer's application.

- (b) The regular service and equipment charges and regulations applicable to these service offerings specified in this Tariff will apply. The service and equipment charges to change to or from this program due to eligibility status will be waived.

- (c) Customers of this service will receive a seventeen (17) percent reduction on the service and equipment charge once during the calendar year. The credit is applicable only to the customer's principle residence line.

(C) Lifeline Assistance - General

Lifeline Assistance reduces an eligible customer's monthly rates for competitive local exchange service. An eligible customer receives credit for the Federal Subscriber Line Charge as well as credit towards the residential access line rate.

(D) Lifeline Assistance - Regulations

- (1) Lifeline Assistance is available to all residential customers who meet the following eligibility requirements:

- (a) Customers must participate in one of the following programs:

Medicaid, food stamps, Supplemental Security Income (SSI), federal public housing assistance or Section 8 (a Federal Housing Assistance Program administered by the Dept of Urban Development), or Low Income Home Energy Assistance Program (LIHEAP)

- (b) To receive benefits, customers must sign a document certifying under penalty of perjury that they are receiving benefits from one of the programs listed in Paragraph (1) (a) above. The document will identify the program or programs

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from which the customer receives benefits and specify that the customer will notify the Company if he/she ceases to participate in such program or programs.

(2) As a participant in Lifeline Assistance, customers are eligible to receive Toll Restriction Service at no charge. This service will only be provided at the customer's request.

(3) Competitive exchange service deposit requirements will be waived for customers who voluntarily receive Toll Restriction Service.

(4) Participants in Lifeline Assistance shall not be disconnected from competitive exchange local service for non-payment of toll charges. In addition, the Company will not deny re-establishment of competitive exchange local service to customers who are eligible for Lifeline Assistance and have previously been disconnected for non-payment of toll charges. Lifeline Assistance will not be connected if an outstanding balance is owed by the customer for competitive exchange local service.

(5) Partial payments that are received from Lifeline customers will first be applied to competitive exchange local service charges and then to any outstanding toll charges.

(E) Lifeline Assistance - Credits

The credits for Low-Income Assistance Programs are as set forth in Section 20.5 (c) (1), (2).

(F) Lifeline Connection Assistance (Link-Up) - General

Link-Up reduces an eligible customer's service connection charges. All eligible customers receive a credit for half of the service connection charges up to \$30.00.

(G) Lifeline Connections Assistance - Regulations

(1) The same eligibility requirements as outlined in Paragraph (C) (1) (a) above will apply for Link-Up.

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- (2) This credit is only available on the installation of a single residential access line to the principal residence of the eligible customer.
- (3) This credit will only apply a second or subsequent time for a principal place of residence with a different address from the previous address at which Link-Up was provided.
- (4) A deferred Schedule for payment of the remaining service connection charges will be offered to Link-Up customers. The customer is not required to pay interest on the first \$200 of service connection charges that are deferred up to a year.

(H) Lifeline Connection Assistance - Credit

The credits for Low-Income Assistance Programs are as set forth in Section 20.5 (c) (3).

6. RESERVED FOR FUTURE USE

7. COMPETITIVE EXCHANGE SPECIAL ACCESS SERVICE

7.1 General Description

Special Exchange Special Access Service provides the necessary elements to provide a dedicated transmission path between two or more end users within a single ILEC local exchange area boundary. Competitive Exchange Special Access Service does not provide for the use of the Telephone Company end office switches.

7.2 Undertaking of the Telephone Company

- (A) The Telephone Company will provide Competitive Exchange Special Access Service at voice grade access to all end users residing within the same ILEC local exchange area boundary at rates not to exceed those set forth in Section 20.7 following.
- (B) The Telephone Company will provide optional features and functions as requested by the end user subject to the availability of equipment at rates to be determined on an individual case basis.

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7.3 Limitations

- (A) Competitive Exchange Switched Access Service is not provided with Competitive Exchange Special Access Service.
- (B) Competitive Exchange Special Access Service is not provided between end users or customers residing in different ILEC local exchange area boundaries.

7.4 Obligations of the End User

The obligations of the end user are as set forth in Section 2.3 preceding.

7.5 Payment Arrangements and Credit Allowances

The payment arrangements and credit allowances as set forth in Section 2.5 preceding apply.

7.6 Rate Regulations

- (A) Competitive Exchange Special Access Service is provided on a per month flat rate basis at the rates set forth in Section 20.7 following.
- (B) When Competitive Exchange Special Access Service is ordered the appropriate Access Order Charges will apply.

8. DIRECTORY LISTINGS

8.1 Conditions

The regulations for directory listings, as provided in the section, apply only to that section of the directory containing the regular alphabetical list of names of subscribers.

8.2 Primary Listing

One listing without charge, termed the Primary Listing, is provided as follows:

- (A) For each separate subscriber service. When two or more main station lines or PBX trunk lines are consecutively operated, the first number of the group is considered the primary listing.
- (B) For each semi-public service.

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- (C) Non-listed telephone numbers are listed in the information file, but are not listed in the ILEC directory. They will be given out upon request.
- (D) Non-published numbers are not listed either in the directory or the information file and are not to be given out to anyone unless authorized by court of law.

8.3 Names in directory listings shall be limited to the following:

8.3.1 In connection with residential service:

- (A) The individual names of the subscriber, or
- (B) The individual name of a member of the subscriber's family, or
- (C) The individual name of a permanent member of the subscriber's household, or
- (D) Dual (joint) listings for customers who share the same surname and reside at the same address.

8.3.2 In connection with business service:

- (A) The individual name of the subscriber, or
- (B) The name under which the subscriber is actually doing business, or
- (C) The name under which a business is actually being conducted by someone other than the subscriber and which the subscriber is authorized by such other to use, or
- (D) The individual names of the officers, partners, or employees of the subscriber, or
- (E) The names of the departments when such listings are deemed necessary from a public reference viewpoint.

8.4 Limitations

The Telephone Company may require that the subscriber provide the Company with written permission for the insertion or continuance of listings. The Telephone Company may refuse to accept or may delete a listing of a business which the subscriber claims to represent. The Telephone Company may refuse to accept or may delete a listing which includes the trade name of another.

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9. RESERVED FOR FUTURE USE

10. PREMISE EXTENSION SERVICE

The Telephone Company will provide Premise Extension Service (both on and off premise) in conjunction with Competitive Exchange Access Service or Special Access Service to end users residing within the exchange boundaries of counties the Telephone Company is approved to serve.

10.1 General Description

Premise Extension Service provides the end user with the ability to have two or more terminations on a single Competitive Exchange Access Service (access line) either on the same premises or on different premises. Premise Extension Service requires the Telephone Company to put two or more protectors on a single Competitive Exchange Access Service access line.

10.2 Undertaking of the Telephone Company

- (A) The Telephone Company will provide Premise Extension Service both on an end user's premises and to another premise of the same end user provided that both premises are on the same cable route from the central office and that the end user has obtained the proper Right of Way clearances for the installation for the Premise Extension Service.
- (B) The Telephone Company will provide Premise Extension Service from the Telephone Company's side of the protector (Telephone Company termination) or from the pedestal serving the protector.
- (C) The Telephone Company will provide Premise Extension Service to two access lines with the same telephone number when the premises are on different cable routes from the central office, provided the end user pays a second Competitive Exchange Access Service rate for the class of service being requested. A Business Line rate for Business Service and a Residential rate for Residential Service may be provided with the same telephone number.

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10.3 Limitations

- (A) Premise Extension Service can only be provided in conjunction with Competitive Exchange Local Access Service or Special Access Service.
- (B) Under no circumstances will the company provide Premise Extension Service to combine the services of two or more end users unless each of the end users have and continue to maintain Competitive Exchange Local Access Service (access line).
- (C) Premise Extension Service will only be provided within the Competitive Local Exchange.
- (D) Premise Extension Service will not be provided by the Telephone Company from the end user's side of the protector.
- (E) Premise Extension Service may not be provided by the Telephone Company unless the end user pays the full construction cost for the installation of the Service.

10.4 Obligations of the End User

- (A) When the end user orders Premise Extension Service, the end user must provide the right of way for the placement of such Service.
- (B) In addition the obligations of the end user set forth in Section 2.3 preceding apply.

10.5 Payment Arrangements and Credit Allowances

The payment arrangements and credit allowances as set forth in Section 2.5 preceding apply.

10.6 Rate Regulations

Rates for Premise Extension Service are set forth in Section 20.09 following.

11. CALL MANAGEMENT SERVICES

Call Management Services are provided by the Telephone Company where facilities are available to enhance the utility of Competitive Exchange Access Service to the end user. Some Call Management Services require special facilities and will be offered in central office serving areas only when such facilities are available. Central offices will be

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equipped for Call Management Services at the discretion of the Telephone Company.

11.1 General Description

Call Management Services are provided in conjunction with Competitive Exchange Access Service to residential end users and business end users and include the following:

11.12 Definitions

- (A) Anonymous Call Rejection (ACR) - (Feature Activation Code *77/Deactivation Code *87) Enables a subscriber with or without Calling Number Delivery and/or Calling Name Delivery to reject calls for which the caller has intentionally blocked calling name/number display information. Rejected calls are sent to a recorded announcement that informs the calling party why the call was rejected. Anonymous Call Rejection can be overridden by an operator in case of an emergency.
- (B) Automatic Call Back (ACB) - (Feature Activation Code *66/Deactivation Code *86) This feature allows a subscriber to dial a code that will cause the feature to automatically re-dial the last number the subscriber dialed. This applies regardless of whether the original call was answered, unanswered, or encountered a busy tone. The system monitors the calling and called lines and attempts to connect the call for up to thirty (30) minutes. The activation of this feature can be cancelled by the customer when desired.
- (C) Automatic Call Return (AR) - (Feature Activation Code *69/Deactivation Code *89) This feature allows a subscriber to dial a code that will cause the system to automatically re-dial the number of the last incoming call to that line, whether the call was answered or not. The subscriber does not have to know the number of the calling party. If the calling party's number is blocked, by the calling party, the service will not return the call. If the called number is busy, the system will re-dial the called number and attempt to connect the call for up to thirty (30) minutes.
- (D) Billed Number Screening (BNS) - This feature allows a subscriber to block all incoming collect and third

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party billed calls from being completed to the subscriber's phone number. Some calls, originating from locations that do not have screening capabilities, may not be capable of being intercepted and denied. These calls, calls that do not go through the Billing Validation Authority data base, will be billed to the customer if completed. Billed Number Screening Services will be administered to subscribers at no charge to the subscriber.

- (E) Call Forwarding All Calls (CFAC) - (Feature Activation Code 72#/Deactivation Code 73#) This feature allows a subscriber to have incoming calls automatically forwarded to a predetermined telephone number. The forwarded-to number may be within the same exchange, in another Company exchange, or outside the Company's serving territory. Calls forwarded by this feature are subject to long distance message charges if applicable. Originators of incoming calls are not aware that their calls are being forwarded. The user may cancel this feature by dialing a deactivation code.
- (F) Call Forwarding Busy Line (CFBL) - This feature automatically transfers incoming calls to another predetermined number within the same exchange, in another Company served exchange, or outside the Company's serving territory when the called number is in use (busy). Calls forwarded by this feature are subject to long distance message charges if applicable. This feature cannot be activated and deactivated by a subscriber. The predetermined number can only be changed by issuing a service order.
- (G) Call Forwarding No Answer (CFNA) - This feature allows an incoming call to be transferred automatically to another pre-designated number if the call is not answered within a pre-selected number of ringing cycles. The pre-designated number may be within the same exchange, in another Company served exchange, or outside the Company's serving territory. Calls forwarded by this feature are subject to long distance message charges if applicable. This feature cannot be activated and deactivated by a subscriber. The pre-designated number can only be changed by issuing a service order.
- (H) Call Transfer (CT) - (Feature Activation Code #57) This feature allows a subscriber to transfer a call

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to another directory number and then drop out of the call, leaving the users connected.

- (I) Call Waiting (CW) - When a subscriber is talking on the telephone, a short spurt of tone signals that a call is waiting. The tone is heard only by the Call Waiting customer, while the incoming caller hears a regular ringing signal. Flashing the switch-hook holds the first call while the second is answered. The subscriber can alternate between calls by flashing the switch-hook. A subscriber with Caller Identification features may also receive name and/or number information on a call that is waiting. This enables the subscriber to decide on disposition of the call in progress. The subscriber must have Caller ID display equipment. Cancel Call Waiting will be provided free of charge with this feature.
- (J) Caller ID Blocking -Per Call (CIDS1) - Enables a customer to control the disclosure of his/her name and/or telephone number to a subscriber of Caller Identification (where technically feasible) by temporarily changing the public/private status indicator of the telephone number. A customer must dial *67 (1167 on rotary phones) before each call to change the indicator from public to private. "Public Status" allows delivery of the name and/or telephone number. "Private Status" prevents delivery of the name and/or telephone number. Per Call Blocking is provided at no charge. Additional information concerning Caller ID Blocking is referenced in Section 11.7, Rate Regulations.
- (K) Caller ID Blocking - Per Line (CIDS2) - Provides a permanent private indicator on a customer's line. Once blocking is established on the customer's line, the private status can be deactivated by the customer by dialing *82 (1182 on rotary phones), before each call, to change the indicator from private to public. This one call unblock allows the name and/or number to be sent for that one call only. Additional information concerning Caller ID Blocking is referenced in Section 11.7 Rate Regulations.
- (L) Calling Name Delivery (CNND) - This feature allows a subscriber to receive the calling name on incoming calls. The name is delivered to the called party's equipment in the interval between the first and second ring. The calling name remains for the

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duration of the call and can be viewed from the subscriber's display. Calling party information may indicate that the directory name of the calling party is private or unavailable.

- (M) Calling Name and Number Delivery (CNAD) - This feature displays the name and directory number associated with an incoming call. The name and number are displayed after the first ringing cycle. The name displayed shall be the name associated with the calling telephone number as shown on the Company's records. The Company in its discretion may abbreviate or limit that name for display purposes. The Company does not guarantee name accuracy. The date and time of an incoming call are also displayed. This feature requires a telephone set or additional equipment (Caller ID Display) which is capable of displaying an alphanumeric set of characters. Calling party information may indicate that the identity of the calling party is private or unavailable.
- (N) Calling Number Delivery (CND) - This feature allows a subscriber to receive the calling number on incoming calls. The number is delivered to the called party's equipment in the interval between the first and second ring. The calling number remains for the duration of the call and can be viewed from the subscriber's display. Calling party information may indicate that the directory number of the calling party is private or unavailable.
- (O) Cancel Call Waiting (CCW) - (Feature Deactivation Code *70) This feature allows subscribers with Call Waiting Service to prevent, on a per-call basis, any incoming calls from Call Waiting on their line. Incoming calls to the number receive a busy signal. Cancel Call Waiting is activated by dialing a feature activation code. The feature can be activated prior to placing a phone call or after a talking connection has been established (for the latter, Three-Way Calling must also be assigned to the line). In either case, a confirmation tone is returned, and Call Waiting is suspended for the duration of the call.
- (P) Conference Call (CFO) - Enables a subscriber to transfer an incoming call to a third party or add a third party to an existing call, forming a three party connection, and leave the connection without disconnecting the call.

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- (Q) Customer Originated Call Trace (COT) - (Feature Activation Code *57) This feature allows a subscriber to initiate a trace on the last incoming call by dialing an activation code. The call is traced automatically, and the printout of the originating directory number and the time the call was made is forwarded to a predetermined location, not to the subscriber. The subscriber then contacts the law enforcement agency to determine further action.
- (R) Distinctive Ringing/Teen Service (DR) - This feature allows a subscriber to have multiple numbers assigned to a single station line. Each number has a unique ringing pattern which allows the customer to distinguish which number is being called. By subscribing to this feature combined with a Call Waiting feature a subscriber may define a list of calling directory numbers that provide the subscriber with special incoming call treatment. Any incoming calls on the list are indicated by a distinctive ringing pattern or a distinctive Call Waiting tone, if applicable. Incoming calls which are not on the list, or which cannot be identified, are given standard treatment.
- (S) Fixed Destination Call Forwarding (FDCF) - This feature allows all incoming calls to be forwarded to a prearranged phone number that is entered into the system memory which is permanently associated with Call Forwarding from the subscriber's number. Thereafter, whenever the subscriber activates Call Forwarding, all calls are automatically forwarded to the prearranged destination. The prearranged destination number can only be changed by issuing a Service order.
- (T) Home Intercom (HI) - This feature allows a distinctive ringing pattern to be applied when an incoming call is coming from someone calling from the same telephone number. It allows the subscriber to determine before answering the call whether the call is incoming or is from someone within their home or business, and can be used for extensions located outside the main structure. The subscriber activates this Service by dialing the number of the line they are using and hanging up.
- (U) Hot Line (HL) - This feature allows a subscriber to establish a switched connection to a predetermined

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number when the subscriber's telephone goes off hook. No dialing is required and the call is processed automatically to the predetermined telephone number.

- (V) Remote Access Call Forwarding (RACF) - This feature allows a subscriber when, at a remote location, to activate and deactivate the Call Forwarding All Calls feature on their home phone number. The subscriber must contact the Telephone Company to establish a personal identification code which will allow the subscriber to activate or deactivate this feature at the subscriber's discretion. Additional information is provided under Section 11.7 Rate Regulations.
- (W) Remote Call Forwarding (RCF) - This feature forwards all calls from one number to another number within the same serving office. Forwarding to a different serving office is possible; however, the subscriber must agree to be responsible for any incurred toll charges. This feature cannot be activated and deactivated by a subscriber. The alternate line can only be changed by issuing a Service order.
- (X) Selective Call Acceptance (SCA) - (Feature Activation Code/Deactivation Code *64) This feature allows the subscriber to define a list of up to 12 calling numbers that will be accepted. Any directory number not on that list are routed to announcement and rejected. The calling party not on the acceptance list receives an announcement stating that the call is not presently being accepted by the called party. Subscribers can review and change the list of accepted directory numbers as desired.
- (Y) Selective Call Forwarding (SCF) - (Feature Activation Code/Deactivation Code *63) This feature allows a subscriber to assign a maximum of 12 caller's telephone numbers to special list. Incoming calls placed to the customer from telephone numbers on that list will automatically be forwarded to a pre-defined telephone number. All other calls will be handled normally.
- (Z) Selective Call Rejection (SCR) - (Feature Activation Code/Deactivation Code *60) This feature allows a subscriber, by using the feature access code, to define a list of up to 12 calling numbers that will be screened. Any calling numbers on this list are routed to announcements and rejected. All other calls

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are treated normally. The calling party on the rejection list receives an announcement stating the call is not presently being accepted by the called party. A subscriber may also reject future calls from the most recent call received by dialing a code after completing the call.

- (AA) Selective Distinctive Ringing (SDR) - (Feature Activation Code/Deactivation Code *61) This feature allows a subscriber to define a list of up to 12 calling numbers that will be assigned a distinctive ringing pattern or a distinctive Call Waiting tone. To define the list of calling numbers the subscriber must enter the feature access code. A calling number not on the list will be given normal treatment.
- (BB) Selective Line Hunting (SLH) - This feature allows an incoming call to automatically be transferred to the next idle number in the sequence of numbers assigned to the subscriber, when the line number associated with the called number is busy.
- (CC) Speed Calling Individual Long List (SCILL) - This feature allows a subscriber to place calls to a pre-selected group of frequently called numbers by dialing a Speed Calling code instead of a phone number. The Speed Code normally consists of an asterisk (*) plus one or two digits. The Speed Calling numbers are programmed by the subscriber from the individual's telephone. The Long List Speed Calling feature has the capacity for storing up to thirty (30) directory numbers.
- (DD) Speed Calling Individual Short List (SCISL) - This feature allows a subscriber to place calls to a pre-selected group of frequently called numbers by dialing a Speed Calling code instead of a phone number. The Speed Code normally consists of an asterisk (*) plus one or two digits. The Speed Calling numbers are programmed by the subscriber from the individual's telephone. The Short List Speed Calling feature has the capacity for storing up to 8 directory numbers.
- (EE) Three Way Calling (TWC) - This feature allows a subscriber to form a three-way conference with two other parties on a local or long distance toll call. The subscriber flashes the hook-switch during a normal talking connection, receives a special dial

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tone, and dials a third party. The third party can be added to the conversation any time by flashing the hook-switch after third party dialing is complete and audible ringing is heard. The user controls the conference and must remain on line for the duration of the call.

- (FF) Warm Line (WL) - This feature allows a subscriber to establish a switched connection to a predetermined number if the subscriber does not dial a number within a specified length of time after going off-hook. When the subscriber's telephone goes off-hook and dialing begins within a specified time delay period, the call will proceed normally as dialed. If dialing has not started before the end of the pre-defined time delay period, a predetermined stored number is automatically dialed by the central office switching equipment.

11.2 Undertaking of the Telephone Company

During promotional periods, the Telephone Company may offer to reduce the access order and line connection charges on a non-discriminatory basis, up to the full amount of the charges.

11.3 Regulations

- (A) Call Management Services are available only in those exchanges where the central office equipment is available to provide such Services.
- (B) Call Management Services are only available with the provision of single party service.
- (C) Call Management Services are not available with Public or Semi-Public Telephone Service, with the exception of Billed Number Screening.
- (D) Call Management Service rates are in addition to applicable rates for end user service.

11.4 Obligations of the End User

The obligations of the end user are as set forth in Section 2.3 preceding.

11.5 Payment Arrangements and Credit Allowances

The payment arrangements and credit allowances as set forth in Section 2.5 preceding apply.

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11.6 Rate Regulations

- (A) In addition to monthly rates, appropriate non-recurring charges will apply for providing Call Management Services to existing residence and business customers. The non-recurring charge will apply for adding, changing, or deleting one or more of the coded directory numbers on any feature list that requires Company personnel to make the additions, deletions, or changes on the subscriber's behalf. Appropriate non-recurring charges will also apply for adding or changing features on existing Call Management Features.
- (B) The rates for each Service and/or selected packages of Services (when applicable) are set forth in Section 20.10.1 following. Service Order charges may apply as described in Section 3 of this Tariff. Rates for non-recurring charges are set forth in Section 20.3.
- (C) The Telephone Company may from time to time engage in promotions of its Service offerings designed to attract new customers or to increase awareness of particular offerings among existing customers. These promotions will be for a limited time period and will typically involve the waiver or discount of recurring and/or non-recurring charges for Service offerings with elastic product demand. Each promotion will be developed so that the revenue received by the Telephone Company will cover the direct marginal costs of the Service that is promoted. The Telephone Company will provide the Commission Staff with thirty (30) days advance notice for any production valued at \$25.00 or more per customer. For other promotions, the Commission Staff will be notified coincident with the start of the promotion.
- (D) The Telephone Company shall not be held liable for any and all claims for damages caused or claimed to have been caused, directly or indirectly, by the transmission to a Caller ID subscriber of a telephone number or name which the calling party has requested to be omitted from the telephone directory or the disclosing of such telephone number or name to any person.
- (E) The Telephone Company shall not be held liable for any and all claims for damages caused or claimed to

Competitive Exchange and Network Services Tariff - Arizona

have been caused, directly or indirectly, by the transmission to a Caller ID subscriber of a telephone number or name which the calling party or the Caller ID subscriber finds erroneous, offensive, embarrassing, or misleading for any reason.

- (F) The Telephone Company shall not be held liable for any and all claims for damages caused by another telecommunications utility's failure to transmit the privacy indicator to the called party when such indicator has been passed to the telecommunications utility by the Telephone Company.
- (G) An entity may not use Caller ID Services to compile and sell specific local call information without the affirmative consent or approval of the calling party. This restriction does not prevent the Caller ID subscriber from:
 - (1) verifying network performance or testing the provision of Caller ID Services;
 - (2) compiling, using, and disclosing aggregate Caller ID information; or
 - (3) Complying with applicable law or legal process.
- (H) Caller ID will be transmitted for calls made from another central office only if the originating and terminating central offices are linked by appropriate facilities.
- (I) The Telephone Company will comply with all state, local, and federal laws regarding Caller ID Services in relation to Local, State, and Federal Government Undercover Operations.
- (J) If a line is equipped with Per Line Blocking, the name and number of the line will not be delivered to any subscriber of Caller ID. Poison control centers, hospitals, medical centers, and others who might use Caller ID will not be able to identify callers with per line blocking who need assistance. 911 is not affected.
- (K) Customers who choose per line blocking for the first time will not be charged the nonrecurring charge.

Competitive Exchange and Network Services Tariff - Arizona

- (L) New customers to the Caller ID serving area will be provided the same option as will customers who change their telephone number and/or service address.
- (M) After the first time, customers requesting per line blocking will pay a nonrecurring charge for each line equipped with per line blocking.
- (N) Per Line Blocking will be provided free to law enforcement and domestic violence agencies and individual victims of domestic violence upon request.
- (O) Per Line Blocking will be activated free of charge to all subscribers who have requested non-published numbers in the Company's billing records.
- (P) Recognizing the potential for misuse associated with Remote Access Forwarding, the Company will attempt to verify that requests for this Service are being made by the subscriber of record, not unauthorized parties. The subscriber must appear in person with proper identification to establish the personal identification code needed to activate and deactivate the feature.
- (Q) The following are restrictions to forwarding destinations for Remote Access Forwarding:
 - (1) No International numbers - only United States NPAs allowed
 - (2) No 700, 800, 900, 950, or 976
 - (3) No N11 or 555-1212
 - (4) No operator assisted calls (0-, 0+, 00, 00+, 10XXX+0, 10XXX+00, 10XXX+0+, 10XXX+01+)
 - (5) No speed dial codes or customized dialing plans
 - (6) No third-number billed calls
 - (7) A limit of four destinations changes per hour

Competitive Exchange and Network Services Tariff - Arizona

12. RESERVED FOR FUTURE USE

13. RESERVED FOR FUTURE USE

14. CONSTRUCTION AND SPECIAL CHARGES

14.1 General Description

- (A) Reasonable rates and charges involve consideration of costs and the degree of risk associated with furnishing Competitive Exchange and Network Services. Certain situations involve substantial extra cost or risk, e.g., the facilities required will be temporary; facilities are ordered in advance of actual customer demand for service; unusual costs are involved in furnishing the services or facilities; competitive exchange service is ordered for areas where the telephone facilities are not available.
- (B) The provision of Competitive Exchange or Network Service may require the payment of a construction, facility or temporary development charge by the customer ordering service or requesting facilities. This charge is in addition to the regular rates, nonrecurring and installation charges applicable for the Competitive Exchange and Network Services provided. The Telephone Company may, at its discretion, modify requirements and charges pertaining to supporting structures which include, but are not limited to , pipes, conduits, poles, trenches and backboards for the placement of telephone facilities in housing developments, commercial properties and business developments where an alternative facilities based service provider is available.
- (C) Special Construction is required when a customer requests service and one or more of the following conditions exist:
 - (1) The facilities to provide services are not available and, at the request of the customer, the Telephone Company constructs facilities to provide the services for the customer and there is no other requirement for the facilities so constructed.
 - (2) At the request of the customer, the Telephone Company constructs facilities of a type other

Competitive Exchange and Network Services Tariff - Arizona

than that which they would normally furnish in order to provide services for the customer.

- (3) In order to comply with requirements specified by the customer, construction by the Telephone Company involves a routing of facilities other than that which they would normally utilize to provide services for the customer.
- (4) At the request of the customer, the Telephone Company constructs a greater quality of facilities than that which they would otherwise construct in order to fulfill the customer's initial requirements for services.
- (5) The facilities to provided services are not available and, at the request of the customer, the Telephone Company expedites construction of the facilities at greater expense than would otherwise be incurred.
- (6) The facilities to provide services are not available and, and the request of the customer, the Telephone Company constructs temporary facilities to provide services for the period during which the permanent facilities are under construction.
- (D) Applicants requesting service at locations that have been served previously by the Telephone Company will not be assessed construction charges. Construction charges will be associated with the premises for which they were established rather than the customer, credit for construction charges will not be transferred from one premises to another.
- (E) The Telephone Company shall not be required to provide facilities, at the request of a developer, within new areas of land unless an agreement is reached and a contract is signed.
- (F) Payments for charges under this Section shall be paid at the time agreement is made between the applicant and the Telephone Company for construction or special charges necessary to provide Competitive Exchange or Network Service.
- (G) With approval of the Company, arrangements may be made for the payments of construction or special

Competitive Exchange and Network Services Tariff - Arizona

charges in monthly installments spread over a reasonable period, generally not to exceed one year. All unpaid installments become due upon termination of service.

- (H) The ownership of any pole line, circuit or other facilities provided wholly or in part at the expense of an applicant under this Tariff shall at all times be vested exclusively in the Telephone Company or another company with which the Telephone Company has a joint agreement.
- (I) Except as otherwise provided herein, the term and conditions in the Tariff contemplate that the type of construction required to provide the quantity and grade of telephone service involved will be determined by the Telephone Company. The customer will be required to pay the added costs involved when different type of construction than that proposed by the Telephone Company is desired.
- (J) Where applicants are so located that it is necessary or desirable to use private and/or government right-of-way to furnish service, such applicants may be required to provide or pay the cost of providing such right-of-way in addition to any applicable charges.

14.2 Special Assemblies, Facilities and Finishes of Equipment

Rates and charges in connection with special assemblies, special facilities and special finishes of equipment will be based on the costs involved in each individual case.

14.3 Other Construction or Conditions

(A) Special Types of Construction

- (1) Where a special type of construction is desired by a customer, such as where underground construction is requested in locations where aerial construction would be regularly used, or where conditions imposed by the customer involved excessive costs, or where underground construction is legally required by ordinance, covenant, tract restriction or otherwise, the customer or customers served by such facilities or the tract developer shall be required to pay the difference between the cost of the underground or other special type of

Competitive Exchange and Network Services Tariff - Arizona

construction and the average cost of construction normally used by the Telephone Company.

- (2) Where existing aerial facilities are requested to be relocated underground in an area where the Telephone Company would not, except for such request relocate its facilities underground, the Telephone Company may charge the cost of such relocation of the persons requesting the relocation of such facilities.

- (B) Temporary Construction: Where temporary construction is necessary to provide service, the applicant will be required to pay a construction charge equal to the estimated net cost of installing and removing the temporary construction

- (C) Construction Under Unusual Conditions

- (1) Construction required to provide service on a seasonal basis may be subject to construction charges provided for herein.
- (2) Additional construction charges in these instances are billed in even multiple of \$1.00; and fraction of \$1.00 is disregarded.
- (3) Special construction charges will be applicable where, at the request of the customer, the Telephone Company constructs a greater quantity of facilities than that which the Telephone Company would otherwise construct or normally utilize.

15. RESERVED FOR FUTURE USE

16. TOLL RESTRICTION

16.1 General Description

Toll Restriction is applicable when a customer requests that toll charges not originate from their telephone number.

The customer will be unable to place direct dialed or operator assisted toll calls.

Competitive Exchange and Network Services Tariff - Arizona

16.2 Rate Regulations

- (A) The Toll Restriction Charge is as set forth in Section 20.15 following.

17. RESERVED FOR FUTURE USE

18. DIRECTORY ASSISTANCE SERVICE

18.1 General Description

Directory Assistance Service provides for assistance to end users in determining telephone numbers of other end users within the exchange or outside of the exchange and within the LATA.

18.2 Undertaking of the Telephone Company

- (A) The Telephone Company will provide the end user access to a Directory Assistance Operator.

- (B) The Telephone Company does not undertake to provide directory assistance for telephone numbers outside of the Local Exchange Service Area.

18.3 Limitations

A maximum of two (2) requested telephone numbers is allowed per call.

18.4 Obligations of the End User

The obligations of the end user are as set forth in 2.3 preceding.

18.5 Payment Arrangements and Credit Allowances

The payment arrangements and credit allowances as set forth in Section 2.5 preceding apply.

18.6 Rate Regulations

Directory Assistance charges will apply for each Directory Assistance call made at the rates set forth in Section 20.17 following.

Competitive Exchange and Network Services Tariff - Arizona

19. RESERVED FOR FUTURE USE

20. RATES AND CHARGES

The maximum rates and charges for the services offered in this Tariff are shown in this section. Reference is made for each rate element to the appropriate Tariff paragraph where the application of the service is described.

20.1 RESERVED FOR FUTURE USE

20.2 Payment Related Charges

Maximum
Rate Source

(A) Payment Related Charges

(1) Deposit if Required
Per End User

Residential	Two Times Estimated Average Monthly Bill or Average Monthly Bill, For the Customer Class, Whichever is Greater	2.4.1(B)
Business	Two and One- Half Times Estimated Maximum Monthly Bill	

(2) <u>NSF Check Charge</u> <u>Per Check</u>	\$ 27.50	2.5.1(A) (2)
---	----------	--------------

(3) <u>Late Payment Charge</u> <u>applied To past</u> <u>due balance</u>	3.0%	2.5.1(A) (2)
--	------	--------------

(4) <u>Service Restoration</u> <u>Charge</u>	\$ 46.50	2.5.1(A) (2)
---	----------	--------------

Competitive Exchange and Network Services Tariff - Arizona

20.3 Access Ordering, Service Connection
Move and Change Charges

(A)	<u>Access Order Charge</u>	<u>Maximum</u> <u>Rate</u>	
(1)	Custom Service Connection Charge	\$ 41.25	3.4 (A)
(2)	Service Order Charge Per Order	\$ 46.50	3.4 (B)
(3)	Line Connection Charge Per Connection	\$ 46.50	3.4 (C)
(4)	Premise Visit Charge	\$ 75.00	3.4 (D)
(5)	900 Block	\$ 22.00	3.4 (E)

20.4 RESERVED FOR FUTURE USE

20.5 Competitive Exchange Access Service

(A)	<u>Competitive Exchange Access Service</u>		
(1)	Residential Service Per Access Line (1)	\$ 20.00	5.6 (A)
(2)	Business Service (Including PABX and Key System Trunks) Per Access Line (1)	\$ 49.50	5.6 (B)
(3)	Combination Service	\$ 20.00	5.6 (D)
(4)	Security Line	\$15.00	5.6 (E)

(B)	<u>Vacation Rate Service</u> Per Access Line	$\frac{1}{2}$ of Monthly Access Service Charges	5.6 (C)
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(C) Low Income Assistance Program Credits

Competitive Exchange and Network Services Tariff - Arizona

		Monthly Credit*
(1)	Federal Subscriber Line Charge Credit	\$ 6.00
(2)	Initial Federal Credit to Residential Access Line	\$ 1.75
(3)	One-Time Non-Recurring Credit: Lifeline Connection Assistance - one-half of Service Connection Charges or \$30.00, whichever is less.	

Credit amount will not exceed the total of the
Subscriber Line Charge and the Residential
Competitive Exchange rate.

20.6 RESERVED FOR FUTURE USE

20.7 Competitive Exchange Special Access Service

(A)	Local Circuit	\$ ICB	7.6
(B)	Optional Features Per Feature	ICB	7.2 (B)

* Applicable Access Order Charges apply.

20.8 Supplementary Directory Listing Service

(A)	Additional Number Listing	\$ 4.50
(B)	Foreign Directory	\$ 4.50

* Applicable Access Order Charges apply.

Service & Equipment	Maximum Rate	Source
------------------------	-----------------	--------

20.9 Premise Extension Service

(A)	Premise Extension Charge Per Premise Extension		
	Continuous Property		
	Residential	\$ 1.90	10.6
	Business Single Line	\$ 2.60	

Competitive Exchange and Network Services Tariff - Arizona

Business Two-Six Lines	\$ 8.00	
Business Ten Lines	\$ 8.25	
Minimum 1/8 Mile	\$.60	
Additional 1/8 Mile	\$.60	
Non-Continuous Property		
Residential	\$ 1.90	10.6
Business Single Line	\$ 2.50	
Business Two-Six Lines	\$ 8.00	
Business Ten Lines	\$ 8.25	
Minimum ¼ Mile	\$ 4.50	
Additional ¼ Mile	\$ 1.90	

Applicable Access Order Charges apply.

When the extension is on Continuous property the rate applies plus 1/8 mile minimum of .60 and .60 per 1/8 mile thereafter. When the extension is off premise, on different property the rate applies plus the first ¼ minimum mile at \$4.50 and each additional ¼ mile at \$1.90.

20.10 Call Management Services

	Maximum Rate	Source
(A) Anonymous Call Rejection (ACR) Per Access Line		
Residence	\$ 6.75	11.2
Business	\$ 6.75	11.2
(B) Automatic Call Back (ACB) Per Access Line		
Residence	\$ 5.25	11.2
Business	\$ 5.25	11.2
(C) Automatic Call Return (AR) Per Access Line		
Residence	\$ 5.25	11.2
Business	\$ 5.25	11.2
(D) Billed Number Screening (BNS) Per Access Line		
Residence	\$.00	11.2
Business	\$.00	11.2
(E) Call Forwarding All Calls (CFAC) Per Access Line		

Competitive Exchange and Network Services Tariff - Arizona

	Residence	\$ 2.25	11.2
	Business	\$ 3.40	11.2
(F)	Call Forwarding Busy Line (CFBL)		
	Per Access Line		
	Residence	\$ 1.90	11.2
	Business	\$ 3.75	11.2
(G)	Call Forwarding No Answer (CFNA)		
	Per Access Line		
	Residence	\$ 3.75	11.2
	Business	\$ 5.25	11.2
(H)	Call Transfer (CT)		
	Per Access Line		
	Residence	\$ 3.75	11.2
	Business	\$ 5.25	11.2
(I)	Call Waiting/Cancel Call Waiting (CW/CCW)		
	Per Access Line		
	Residence	\$ 3.40	11.2
	Business	\$ 5.25	11.2
(J)	Caller ID Blocking (CIDS1&2)		
	Per Call	\$.00	11.2
	Per Access Line (Non-recurring Chrg)		
	(2nd & Every Subsequent Order)		
	Residence	\$ 12.00	11.2
	Business	\$ 15.00	11.2
(K)	Calling Name Delivery (CNND)		
	Per Access Line		
	Residence	\$ 7.50	11.2
	Business	\$ 10.50	11.2
(L)	Calling Name and Number Delivery (CNAD)		
	Per Access Line		
	Residence	\$ 8.25	11.2
	Business	\$ 11.25	11.2
(M)	Calling Number Delivery (CND)		
	Per Access Line		
	Residence	\$ 7.50	11.2
	Business	\$ 10.50	11.2
(N)	Conference Call (CFO)		
	Per Access Line		
	Residence	\$ 6.00	11.2
	Business	\$ 9.00	11.2

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(O)	Customer Originated Call Trace (COT)		
	Per Access Line		
	Residence	\$ 3.00	11.2
	Business	\$ 3.00	11.2
	Per Successful Trace	\$ 7.50	11.2
(P)	Distinctive Ringing/Teen Service (DR)		
	Per Access Line		
	Residence	\$ 6.00	11.2
	Business	\$ 7.50	11.2
(Q)	Fixed Destination Call Forwarding (FDCF)		
	Per Access Line		
	Residence	\$ 3.00	11.2
	Business	\$ 6.00	11.2
(R)	Home Intercom (HI)		
	Per Access Line		
	Residence	\$ 2.25	11.2
	Business	\$ 3.40	11.2
(S)	Hot Line (HL)		
	Per Access Line		
	Residence	\$ 3.00	11.2
	Business	\$ 3.75	11.2
(T)	Remote Access Call Forwarding (RACF)		
	Per Access Line		
	Residence	\$ 3.00	11.2
	Business	\$ 3.75	11.2
(U)	Remote Call Forwarding (RCF)		
	Per Access Line		
	Residence	\$ 3.00	11.2
	Business	\$ 3.75	11.2
(V)	Selective Call Acceptance (SCA)		
	Per Access Line		
	Residence	\$ 4.50	11.2
	Business	\$ 7.50	11.2
(W)	Selective Call Forwarding (SCF)		
	Per Access Line		
	Residence	\$ 4.50	11.2
	Business	\$ 7.50	11.2
(X)	Selective Call Rejection (SCR)		
	Per Access Line		
	Residence	\$ 4.50	11.2
	Business	\$ 7.50	11.2

Competitive Exchange and Network Services Tariff - Arizona

(Y)	Selective Distinctive Ringing (SDR)		
	Per Access Line		
	Residence	\$ 4.50	11.2
	Business	\$ 7.50	11.2
(Z)	Selective Line Hunting (SLH)		
	Per Access Line		
	Residence	\$ 8.00	11.2
	Business	\$ 12.00	11.2
(AA)	Speed Calling Individual Long List (SCILL)		
	Per Access Line		
	Residence	\$ 4.50	11.2
	Business	\$ 6.00	11.2
(BB)	Speed Calling Individual Short List (SCISL)		
	Per Access Line		
	Residence	\$ 2.25	11.2
	Business	\$ 4.50	11.2
(CC)	Three Way Calling (TWC)		
	Per Access Line		
	Residence	\$ 3.40	11.2
	Business	\$ 5.25	11.2
(DD)	Warm Line (WL)		
	Per Access Line		
	Residence	\$ 3.75	11.2
	Business	\$ 5.25	11.2

20.10.1 Feature Packages:

(A) Basic Features List

Anonymous Call Rejection
Automatic Call Back
Automatic Call Return
Bill Number Screening
Call Forwarding All Calls
Call Forwarding Busy Line
Call Forwarding No Answer
Call Transfer
Call Waiting/Cancel Call Waiting
Fixed Destination Call Forwarding
Home Intercom
Hot Line
Remote Access Call Forwarding
Remote Call Forwarding
Speed Calling Individual Short List

Competitive Exchange and Network Services Tariff - Arizona

Three Way Calling
Warm Line

(B) Caller I.D. Features List

Caller ID Blocking - Per Call
Caller ID Blocking - Per Line
Calling Name and Number Delivery
Calling Name Delivery
Calling Number Delivery

(C) Advanced Features List

Conference Call
Customer Originated Call Trace
Distinctive Ringing/Teen Service
Selective Call Acceptance
Selective Call Forwarding
Selective Call Rejection
Selective Distinctive Ringing
Selective Line Hunting
Speed Calling Individual Long List

(D) Package Pricing

	Maximum Rate	Source
Basic II		
Any two Basic Features		
Residence	\$ 4.50	11.7
Business	\$ 7.50	11.7
Basic III		
Any three Basic Features		
Residence	\$ 7.50	11.7
Business	\$10.50	11.7
Basic IV		
Any four Basic Features		
Residence	\$10.50	11.7
Business	\$15.00	11.7
Basic Plus		
Each Basic Feature added To Basic IV		
Per Feature	\$ 2.00	11.7
Basic Max		
All features on Basic List		
Residence	\$20.00	11.7
Business	\$22.50	11.7

Competitive Exchange and Network Services Tariff - Arizona

Advance II		
Any two Advance Features		
Residence	\$ 6.00	11.7
Business	\$12.00	11.7
Advance III		
Any three Advance Features		
Residence	\$ 9.00	11.7
Business	\$15.00	11.7
Advance Plus		
Each Advance Feature added To Advance III		
Per Feature	\$ 2.00	11.7
Select I		
Add one Advance Feature to Any Basic Package		
Residence	\$ 3.00	11.7
Business	\$ 6.00	11.7
Select II		
Add two Advance Features to any Basic Package		
Residence	\$ 4.50	11.7
Business	\$ 7.50	11.7
Select III		
Add three Advance Features to any Basic Package		
Residence	\$ 9.00	11.7
Business	\$10.50	11.7
Caller I. D. Basic Plus		
Add Caller I.D. (CNAD, CNND, or CND) to any Basic Package		
Residence	\$ 6.00	11.7
Business	\$ 9.00	11.7
Caller I. D. Advance Plus		
Add Caller I. D. (CNAD, CNND, or CND) to any Advance Package		
Residence	\$ 6.00	11.7
Business	\$ 9.00	11.7
Caller I. D. Max		
Caller I. D. + all features		
Residence	\$34.50	11.7

Competitive Exchange and Network Services Tariff - Arizona

Business \$45.00 11.7

* Applicable Access Order Charges apply with each order and applicable Line Connection Charges apply with each service or line connected. Call Management Services installed simultaneously with the establishment of primary service will be included with the normal service connection charges. Only one Access Order Charge will apply when multiple Call Management Services are ordered at the same time. Rates for nonrecurring charges are set forth in Section 20.1 Paragraph 20.3.

20.11 RESERVED FOR FUTURE USE

20.12 RESERVED FOR FUTURE USE

20.13 ENGINEERING LABOR CHARGES

Basic Time, Per Technician

First ½ hour or fraction
Thereof

\$28.50 14.5

Each additional ½ hour or
Fraction thereof

\$28.50

Overtime, Per Technician*

First ½ hour or fraction
Thereof

\$36.00

Each additional ½ hour or
Fraction thereof

\$36.00

Premium Time, Per Technician*

First ½ hour or fraction
Thereof

\$43.50

Each additional ½ hour or
Fraction thereof

\$43.50

* A callout of a Company employee at a time not consecutive with the employee's scheduled work period is subject to a minimum charge of four hours.

20.14 RESERVED FOR FUTURE USE

20.15 Toll Restriction

Residence

\$ 2.25

16.2(A)

Business

\$ 7.00

Accipiter Communications, Inc
d/b/a Zona Communications
2238 W Lone Cactus Dr Ste 100
Phoenix, AZ 85027

Original Sheet No. 92
Cancels Sheet No. N/A

Competitive Exchange and Network Services Tariff - Arizona

20.16 RESERVED FOR FUTURE USE

20.17 Directory Assistance Service

Per message

Direct Dialed	\$.50	18.6
Operator Assisted	\$.50	18.6

20.18 RESERVED FOR FUTURE USE

21. EXHIBITS

21.1 Arizona Map

21.2 Price Sheet

Decision No. _____

Date Effective _____

Issuing Officer: Jenifer Vellucci, Vice President/CFO Accipiter Communications, Inc

ARIZONA 513

ACCIPITER COMMUNICATIONS, INCORPORATED
(d.b.a. Zona Communications)

PHOENIX, ARIZONA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

ARIZONA 513

ACCIPITER COMMUNICATIONS, INCORPORATED
(d.b.a. Zona Communications)

PHOENIX, ARIZONA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ACCIPITER COMMUNICATIONS, INCORPORATED
PHOENIX, ARIZONA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITORS' REPORT

Board of Directors
Accipiter Communications, Incorporated
Phoenix, Arizona

We have audited the accompanying balance sheets of Accipiter Communications, Incorporated as of December 31, 2008 and 2007, and the related statements of income (loss), changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accipiter Communications, Incorporated as of December 31, 2008 and 2007, and the results of its operations, changes in stockholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2009, on our consideration of Accipiter Communications, Incorporated's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

April 1, 2009

ACCPITER COMMUNICATIONS, INCORPORATED

Exhibit A

BALANCE SHEET
DECEMBER 31, 2008 AND 2007

ASSETS

	December 31,	
	2008	2007
CURRENT ASSETS		
Cash and Working Funds	\$ 136,430	\$ 687,948
Cash - RUS Construction Funds	2,031	387,890
Accounts Receivable - Telecommunications (Less allowance for uncollectible accounts of \$1,928 in 2008 and \$3,500 in 2007)	47,121	33,657
Accounts Receivable - Other (Less allowance for uncollectible accounts of \$0 in 2008 and \$0 in 2007)	591,136	335,794
Prepayments	63,818	74,227
Materials	181,392	309,690
	<u>\$ 1,021,928</u>	<u>\$ 1,829,206</u>
NONCURRENT ASSETS		
Deferred Charges	\$ 70,427	\$ 841,251
Unamortized Intangible Assets - Software	24,545	29,967
Other Noncurrent Assets	20,251	22,951
	<u>\$ 115,223</u>	<u>\$ 894,169</u>
PLANT, PROPERTY, AND EQUIPMENT		
Telecommunications Plant in Service	\$ 18,455,824	\$ 15,222,673
Property Held for Future Use		156,137
Plant Under Construction	1,866,694	660,514
	<u>\$ 20,322,518</u>	<u>\$ 16,039,324</u>
Accumulated Provision for Depreciation and Amortization	4,179,904	3,280,853
	<u>\$ 16,142,614</u>	<u>\$ 12,758,471</u>
TOTAL ASSETS	<u>\$ 17,279,765</u>	<u>\$ 15,481,846</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,015,980	\$ 626,980
Accounts Payable - Trade	498,629	139,901
Accounts Payable - Construction Contracts	308,771	569,405
Advanced Billing and Payments	38,739	22,596
Accrued Operating Taxes		31,424
Other Current and Accrued Liabilities	26,981	41,709
	<u>\$ 1,889,100</u>	<u>\$ 1,432,015</u>
LONG-TERM DEBT		
RUS Mortgage Notes (Less current maturities)	\$ 14,858,486	\$ 12,932,033
Other Long-Term Debt	47,839	53,819
	<u>\$ 14,906,325</u>	<u>\$ 12,985,852</u>
STOCKHOLDERS' EQUITY		
Common Stock (\$.001 par; 10,000,000 shares authorized; 1544 shares issued and outstanding)	\$ 2	\$ 2
Additional Paid-in Capital	1,392,997	1,392,997
Retained Earnings (Deficit)	(908,659)	(329,020)
	<u>\$ 484,340</u>	<u>\$ 1,063,979</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 17,279,765</u>	<u>\$ 15,481,846</u>

See accompanying notes to financial statements

ACCIPITER COMMUNICATIONS, INCORPORATED

Exhibit B

STATEMENT OF INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	December 31,	
	2008	2007
OPERATING REVENUE		
Local Network Services	\$ 109,264	\$ 83,618
Interstate Network Access Services	1,748,263	1,574,486
Intrastate Network Access Services	2,739	3,630
Federal and State Universal Service Support	1,414,399	952,247
Long Distance Services	4,303	1,536
Billing and Collection	572	86
Nonregulated Revenue	68,233	19,018
Miscellaneous	1,250	932
Uncollectible Revenue	1,351	(2)
	<u>\$ 3,350,374</u>	<u>\$ 2,635,551</u>
OPERATING EXPENSES		
Plant Specific Operations	\$ 432,916	\$ 393,680
Plant Nonspecific Operations	236,227	302,981
Depreciation Expense	899,051	575,955
Amortization Expense	20,962	24,933
Customer Operations	245,853	99,413
Corporate Operations	1,102,076	1,151,361
Nonregulated Expenses	155,877	44,501
	<u>\$ 3,092,962</u>	<u>\$ 2,592,824</u>
OTHER OPERATING INCOME (LOSS)	\$ (3,240)	\$ (1,723)
OPERATING INCOME	\$ 254,172	\$ 41,004
OPERATING TAXES	151,235	74,523
NET OPERATING INCOME (LOSS) BEFORE FIXED CHARGES	<u>\$ 102,937</u>	<u>\$ (33,519)</u>
FIXED CHARGES		
Interest on Long-Term Debt	\$ 715,580	\$ 524,683
Other Interest	4,061	11,718
Allowance for Funds Used During Construction	(33,278)	(67,638)
	<u>\$ 686,363</u>	<u>\$ 468,763</u>
NET OPERATING LOSS	<u>\$ (583,426)</u>	<u>\$ (502,282)</u>
NONOPERATING INCOME (EXPENSE)		
Interest and Dividend Income	\$ 3,786	\$ 4,219
Rent Income	(312)	
Other	313	(3,748)
	<u>\$ 3,787</u>	<u>\$ 471</u>
NET LOSS	<u>\$ (579,639)</u>	<u>\$ (501,811)</u>

See accompanying notes to financial statements.

ACCIPITER COMMUNICATIONS, INCORPORATED

Exhibit C

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
Balance - December 31, 2006	\$ 1	\$ 681,997	\$ 172,791	\$ 854,789
Net Income (Loss) - 2007			(501,811)	(501,811)
Capital Contributed	<u>1</u>	<u>711,000</u>		<u>711,001</u>
Balance - December 31, 2007	\$ 2	\$ 1,392,997	\$ (329,020)	\$ 1,063,979
Net Income (Loss) - 2008			<u>(579,639)</u>	<u>(579,639)</u>
Balance - December 31, 2008	<u>\$ 2</u>	<u>\$ 1,392,997</u>	<u>\$ (908,659)</u>	<u>\$ 484,340</u>

See accompanying notes to financial statements.

ACCIPITER COMMUNICATIONS, INCORPORATED

Exhibit D

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) (Exhibit B)	\$ (579,639)	\$ (501,811)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Amortization	20,962	24,933
Depreciation	899,051	575,955
(Increases) Decreases:		
Accounts Receivable	(268,806)	(152,762)
Prepaid Expenses	10,409	(21,398)
Long-Term Prepaid Expenses	2,700	2,700
Inventory	128,298	(239,656)
Increases (Decreases):		
Accounts Payable	358,728	24,232
Advanced Billing and Payments	16,143	5,419
Accrued Taxes	(31,424)	28,584
Other Current and Accrued Liabilities	(14,728)	29,414
Net Cash Provided by (Used in) Operating Activities	\$ <u>541,694</u>	\$ <u>(224,390)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Plant in Service	\$ (3,773,004)	\$ (5,491,714)
Purchase of Intangibles	(15,540)	(17,749)
Net Cash Used in Investing Activities	\$ <u>(3,788,544)</u>	\$ <u>(5,509,463)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on Long-Term Debt from RUS	\$ 2,965,154	\$ 5,091,710
Payments on Long-Term Debt to RUS	(649,701)	(501,728)
Advances on Other Long-Term Liabilities		65,779
Payments on Other Long-Term Liabilities	(5,980)	(5,980)
Capital Contributed by Shareholders		711,001
Net Cash Provided by Financing Activities	\$ <u>2,309,473</u>	\$ <u>5,360,782</u>
(DECREASE) IN CASH	\$ (937,377)	\$ (373,071)
CASH - BEGINNING OF PERIOD	<u>1,075,838</u>	<u>1,448,909</u>
CASH - END OF PERIOD	\$ <u><u>138,461</u></u>	\$ <u><u>1,075,838</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ <u>719,641</u>	\$ <u>536,401</u>
Income Taxes	\$ <u>0</u>	\$ <u>0</u>

See accompanying notes to financial statements.

ACCIPITER COMMUNICATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Business Activity – Nature of Operations

Accipiter Communications, Incorporated (the Company) is a telecommunications utility acting as a local exchange carrier within the state of Arizona, offering telecommunications services to the public under its Certificates of Public Convenience and Necessity issued by the Arizona Corporation Commission. During 1997, the Company acquired certain telecommunications exchanges from U.S. West Communications, Incorporated in an area known as Lake Pleasant and Castle Hot Springs. The acquisition was effective on March 16, 1997.

System of Accounts

The accounting records of the Company conform to the Uniform System of Accounts prescribed by the Federal Communications Commission for Class A telephone companies modified for telephone borrowers of the Rural Utilities Service (RUS).

Telephone Revenues

The Company's local and intrastate operating revenues are under the jurisdiction of the Arizona Corporation Commission.

Regulatory Accounting

The Company follows account for regulated enterprises prescribed by Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," since the Company is subject to regulation by the Public Utility Commission of Texas (the Commission) and other federal agencies, and meets the criteria set forth in SFAS No. 71.

Revenue Recognition

Monthly service plan revenues derived from local service are billed in advance and recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service is provided.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carriers Association (NECA). These revenues are determined by annually determined separation and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2008, and 2007.

The Company's federal universal service support is intended to compensate the Company for the high cost of providing rural telephone service. Federal Universal service support revenues includes funds received for the high cost loop support, interstate common line support, local switching support, and other miscellaneous programs. These support revenues are based on the

ACCIPITER COMMUNICATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Company's relative level of operating expense and plant investment. The Company received \$1,414,399 and \$952,247, respectively, from the high cost loop support Federal Universal Service Fund.

Regulation – The Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Arizona Corporation Commission.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Federal Universal Service revenues are administered by the Universal Service Administration Company (USAC) based on rules established by the FCC, and by NECA. Other sources of revenue are not rate regulated and include equipment sales, internet service, DSL service, directory, billing and collection services, and other incidental services.

Pending and future federal and state regulatory actions may have a significant impact on the Company's future operations and financial condition.

Operating expenses and telecommunications plant are related primarily to regulated revenues. However, some of these costs jointly relate to regulated and non-regulated services. For settlement purposes, USF, rate making and other regulatory purposes, the portion of these common costs related to non-regulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on cost of providing regulated services.

Materials

Materials and inventory are valued at average unit cost and consist of telecommunications cable and supplies.

Advertising Costs

The Company's policy is to directly expense all non-direct response advertising costs as incurred. The total marketing and advertising costs for the years ended December 31, 2008 and 2007, were \$182,806 and \$61,670, respectively.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for income taxes because the Company does not incur federal or state income taxes. Instead, its earnings and losses are included in the stockholder's personal income tax returns and taxed based on their personal tax strategies.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash in banks and on hand, cash – RUS construction fund, and temporary investments to be cash equivalents.

ACCIPITER COMMUNICATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Group Concentration of Credit Risk

At December 31, 2008, the Company had cash deposits in federally insured financial institutions. Non-interest bearing deposits are fully insured. Interest bearing deposits are insured up to \$250,000. At December 31, 2008, the Company's cash deposits were fully insured.

Accounting Policies for Trade Receivables

In the normal course of business, the Company recognized accounts receivable for telecommunications services provided and billed. All bills for service are due and payable at the office of the Company on or before the 20th day following the post marked date of the statement of the month in which the bill is rendered. After the 20th day, bills are delinquent and subject to the termination policy. If the bill is not paid when due, the Company may make a late payment charge of 1.5% and the Company may apply any deposit towards the outstanding balance.

The Company provides an allowance for doubtful accounts to recognize the portion of the receivables considered uncollectible. The allowance is estimated based on an aging of receivables and is tied to amounts owing in excess of 90 days. Management of the Company periodically reviews delinquent accounts and charges off accounts deemed uncollectible.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts on the prior year financials statements have been reclassified to conform to the current year presentation.

2. Assets Pledged

All assets are pledged as security for the long-term debt due to the Rural Utilities Service (RUS).

3. Deferred Charges

Deferred charges consist of the following as of December 31, 2008 and 2007:

	December 31,	
	2008	2007
Postloan Engineering Costs - RUS "C" Loan	\$ 70,427	\$ 841,251

ACCIPITER COMMUNICATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Engineering, right-of-way and other post-loan feasibility costs are classified as deferred charges until the related projects are started or abandoned, at which time the cost will be transferred to plant under construction or to expense if abandoned.

4. Intangible Assets

Intangible assets consist of:

	Amortization Rate	December 31,	
		2008	2007
Organization Cost	Fully Amortized	\$	\$ 1,695
Computer Software	33.00%	3,856	65,667
Domain Name	12.24%	12,829	23,750
Leasehold Improvement - Switch	12.80%	7,860	12,112
		\$ 24,545	\$ 103,224
Less: Accumulated Amortization			73,257
		<u>\$ 24,545</u>	<u>\$ 29,967</u>

Amortization for the years ended December 31, 2008 and 2007, was \$20,962 and \$24,933, respectively.

5. Investment in Telecommunications Plant

Telecommunications Plant, Maintenance, and Depreciation

Telecommunications plant is stated at the original cost of construction and acquisition which includes the cost of contracted services, direct labor, materials, allowance for funds used during construction (capitalized interest), and overhead items. Contributions from others toward construction are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the removal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to cost of construction and plant specific operations.

ACCIPITER COMMUNICATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

The major classes of telecommunications plant in service as of December 31, 2008 and 2007, are as follows:

	Original Cost December 31,		Depreciation Rate	Accumulated Depreciation December 31,	
	2008	2007		2008	2007
Land	\$ 301,327	\$ 298,641		\$	\$
Motor Vehicles	33,726	32,726	20.0%	33,726	32,726
Other Work Equipment	50,442	50,442	10.0%	43,152	38,108
Buildings	614,538	612,955	4.0%	244,640	222,164
Furniture	10,984	10,984	10.0%	10,587	9,489
Office Equipment	4,609	8,759	20.0%	4,609	8,759
Company Communications Equipment	51,336	44,612	10.0%	26,640	17,980
General Purpose Computers	119,056	89,775	20.0%	103,366	82,420
Digital Central Office Switching Equipment	1,272,845	1,163,439	8.0%	673,196	587,291
Radio Systems	945,015	876,135	8.5%	271,255	192,691
Circuit Equipment	3,176,546	2,508,733	8.0%	729,697	506,342
Customer Premises Equipment	27,317	19,303	8.0%	17,352	15,199
Poles	104,777	101,336	7.1%	73,989	66,773
Aerial Cable - Metallic	795,183	736,648	5.5%	108,660	100,154
Aerial Cable - Non Metallic	151,490	151,490	5.5%	223,021	180,119
Underground Cable - Metallic	38,022	38,022	4.5%	29,001	27,290
Underground Cable - Non Metallic	429,868	162,315	4.5%	58,378	41,017
Buried Cable - Metallic	1,947,605	1,940,400	4.5%	841,190	753,726
Buried Cable - Non Metallic	6,348,344	5,111,060	4.5%	533,143	278,510
Conduit Systems	2,032,794	1,264,698	2.4%	154,302	114,457
Telecommunications Plant in Service	\$ 18,455,824	\$ 15,222,673		\$ 4,179,904	\$ 3,275,215
Property Held for Future Telecom Use		156,137	1.8%		5,638
Plant Under Construction	1,856,694	660,514			
Total Plant, Property, and Equipment	\$ 20,322,518	\$ 16,039,324		\$ 4,179,904	\$ 3,280,853

The Company provides for depreciation on a straight-line basis at annual rates, which will amortize the property over its estimated useful life. Depreciation for the years ended December 31, 2008 and 2007, was \$899,051 and \$575,955, respectively.

ACCIPITER COMMUNICATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

6. RUS and RTB Mortgage Notes

Mortgage notes due to RUS are payable to the United States of America. The notes are for a 20-year period, with monthly principal and interest installments of approximately \$138,000. The following is a summary of outstanding debt:

	December 31,	
	2008	2007
5% Notes Due in 2017	\$ 4,362,663	\$ 4,752,894
4.054% - 5.280% Note Due in 2022	4,520,821	3,448,180
4.616% - 5.027% Note Due in 2026	6,985,002	5,351,959
	<u>\$ 15,868,486</u>	<u>\$ 13,553,033</u>
Less: Current Maturities	<u>1,010,000</u>	<u>621,000</u>
	<u>\$ 14,858,486</u>	<u>\$ 12,932,033</u>

The estimated maturities of the RUS long-term notes for the next five years are as follows:

2009	\$ 1,010,000
2010	1,059,000
2011	1,111,000
2012	1,164,000
2013	1,223,000

Unadvanced loan funds of \$6,556,389 and \$11,709,000 are available to the Company on loan commitments from RUS and the Rural Telephone Bank (RTB). The interest rate will be set at the time of the advance. In August, 2005, the Board of Directors of the RTB approved resolutions to liquidate and dissolve the RTB. The liquidation occurred in 2006. The available loan funds from RTB will be transferred to RUS. However, future advances under these loans will be limited to funds needed for non RTB stock purchases.

The RUS mortgage agreement contains restrictions on the distribution of capital to shareholders and for investing in rural development projects. There were no distributions of capital to shareholders or investments in rural development projects during 2008. The agreement also contains a requirement that the Company maintain a minimum Times Interest Earned Ratio of 1.00. The Company did not achieve this requirement for 2008. The RUS has approved the Company's TIER recovery plan.

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ACCIPITER COMMUNICATIONS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

7. Other Long-Term Debt

During 2007, the Company incurred a withdrawal liability in the amount of \$59,799 as a result of its withdrawal from the National Telephone Cooperative Association (NTCA) Retirement and Security Program on the behalf of employees who were participants in the program as of October 31, 2006. The liability is payable in 10 equal annual installments of \$5,980 at interest rate of 7.5%.

	December 31,	
	2008	2007
Note due to NTCA	\$ 53,819	\$ 59,799
Less: Current Maturities	<u>5,980</u>	<u>5,980</u>
	<u>\$ 47,839</u>	<u>\$ 53,819</u>

The estimated maturities of the NTCA long-term liability for the next five years are as follows:

2009	\$ 5,980
2010	5,980
2011	5,980
2012	5,980
2013	5,980

8. Related Party Transactions

The Company obtains legal services from a shareholder of the Company in the form of a \$2,000 per month legal retainer fee. The total expense for these fees and other legal services provided by the shareholder for the years ended December 31, 2008 and 2007 was \$24,000 and \$24,000, respectively.

Effective January 1, 2001, the Company entered into a building lease agreement with three of its shareholders. The lease term expires on December 31, 2013. The annual minimum lease payment for the year ended December 31, 2008 was \$14,490.

9. Employee Benefit Plan

Pension Benefits

Pension benefits for substantially all employees of the Company are provided through the National Telephone Cooperative Association (NTCA) Savings Program. The Savings Program is a defined contribution pension plan. The plan is exempt from federal income taxes under the Internal Revenue Code. Contributions are made to the Savings Plan are equal to the amounts accrued for pension expense.

ACCIPITER COMMUNICATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

The pension cost to the Company for the years ended December 31, 2008 and 2007, was \$50,793 and \$83,574, respectively. During 2007, the Company incurred a withdrawal liability in the amount of \$59,799 as a result of its withdrawal from the National Telephone Cooperative Association (NTCA) Retirement and Security Program on the behalf of employees who were participants in the program as of October 31, 2006.

10. Litigation, Commitments, and Contingencies

Litigation

There is no pending litigation against the Company, which is expected to have a material effect on the financial statements.

Contingencies

Under current toll revenue settlement procedures, the Company charges the interexchange carriers for accessing the Company's subscribers based on access minutes of use and collects a revenue settlement from toll pool administered by the National Exchange Carriers Association (N.E.C.A.) based on estimated revenue requirements.

Final settlement of such revenues will generally be determined in a subsequent accounting period when a final separation study has been performed and submitted for approval. Differences in revenue, if any, will normally be recorded in the subsequent period.

Commitments

The Company has entered into various operating leases for the use of vehicles, office equipment, land, building and tower space. These leases expire at various times between 2010 and 2012, and contain renewal options. The estimated minimum lease payment obligation for the next five years are as follows:

2009	\$	98,612
2010		43,386
2011		20,191
2012		187
2013		187

Rent expense under these leases for the years ended December 31, 2008 and 2007 was \$114,101 and \$ 51,713, respectively.

COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**LETTER TO BOARD OF DIRECTORS REGARDING RUS, 7 CFR, PART 1773,
RUS POLICIES CONCERNING AUDITS OF RUS BORROWERS**

Board of Directors
Accipiter Communications, Incorporated
Phoenix, Arizona

We have audited the financial statements of Accipiter Communications, Incorporated for the year ended December 31, 2008, and have issued our report thereon dated April 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Accipiter Communications, Incorporated for the year ended December 31, 2008, we considered their internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted the following matter involving the internal control over financial reporting that we consider to be a material weakness. We noted that the Company does not have a perpetual inventory system nor does it have adequate processes that capture the cost of material used in self constructed assets. The lack of consistent material issuance procedures may result in inaccurate capitalization of cost to construct new network assets. In a related matter, materials used on new construction projects are not consistently identified in the work order software in a manner that allows for accurate property unitization. There are also instances of costs to complete a single project that are charged to multiple work orders making the process of unitizing the cost of constructed property very difficult.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with

specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33 (e)(2), and related party transactions and investments. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report and our independent auditors' report on compliance and on internal control over financial reporting, all dated April 1, 2009) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Accipiter Communications, Incorporated's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records;
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts. Except the lack of consistent material issuance procedures may result in inaccurate capitalization of cost to construct new network assets. In a related matter, materials used on new construction projects are not consistently identified in the work order software in a manner that allows for accurate property unitization. There are also instances of costs to complete a single project that are charged to multiple work orders making the process of unitizing the cost of constructed property very difficult.; and,
- the materials control. Except that we noted that the company does not have a perpetual inventory system nor does it have adequate processes that capture the cost of material used in self constructed assets. The lack of no material issuance procedures may result in inaccurate capitalization of cost to construct new network assets.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement, or lease between the borrower and an affiliate for the year ended December 31, 2008, of Accipiter Communications, Incorporated:

- Obtained and read a borrower-prepared schedule of new written contracts, agreements or leases entered into during the year between the borrower and an affiliate as defined in §1773.33(e)(2)(i).
- Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
- Noted the existence of written RUS approval of each contract listed by the borrower.
- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
 - Agreed amounts reported in Form 479 to Accipiter Communications, Incorporated's records.

The results of our tests indicate that, with respect to the items tested, Accipiter Communications, Incorporated complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has submitted its Form 479 to the RUS and the Form 479, Financial and Statistical Report, as of December 31, 2008, represented by the borrower as having been submitted to RUS, is in agreement with Accipiter Communications, Incorporated's audited records in all material respects.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Accipiter Communications, Incorporated, nothing came to our attention that caused us to believe that Accipiter Communications, Incorporated failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Parts 1773.33(c)(3) and (4);
- The approval of the sale, lease, or transfer of capital assets and disposition of proceeds of the sale of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, *Related Party Transactions*, for the year ended December 31, 2008, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33 (f); and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments in affiliated companies required by 7 CFR 1733.33 (i), and provided below is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Investment in Affiliated Companies consist of: N/A

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

April 1, 2009

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LA MCKIN, TEXAS 79423-1954

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Accipiter Communications, Incorporated
Phoenix, Arizona

We have audited the financial statements of Accipiter Communications, Incorporated as of and for the year ended December 31, 2008, and have issued our report thereon dated April 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Accipiter Communications, Incorporated's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we do not express an opinion on the effectiveness of the company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identify the following deficiency in internal control that we consider to be material weakness, as defined above. We noted that the Company does not have a perpetual inventory system nor does it have adequate processes that capture the cost of material used in self constructed assets. The lack of no material issuance procedures may result in inaccurate capitalization of cost to construct new network assets. In a related matter, materials used on new construction projects are not consistently identified in the work order software in a manner that allows for accurate property unitization. There are also instances of costs to complete a single project that are charged to multiple work orders making the process of unitizing the cost of constructed property very difficult.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Accipiter Communications, Incorporated's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This communication is intended for the information of the Board of Directors, management, Rural Utilities Services, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

April 1, 2009